INTERIM REPORT
中期報告

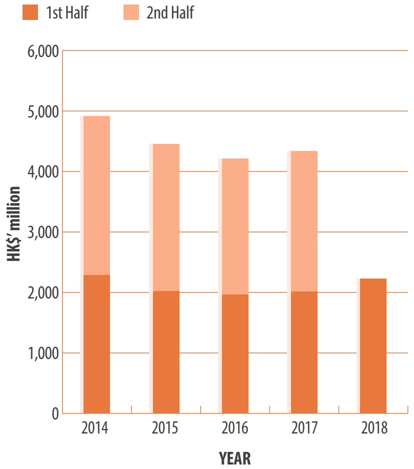
Television Broadcasts Limited
電視廣播有限公司

Stock Code 股份代號：00511

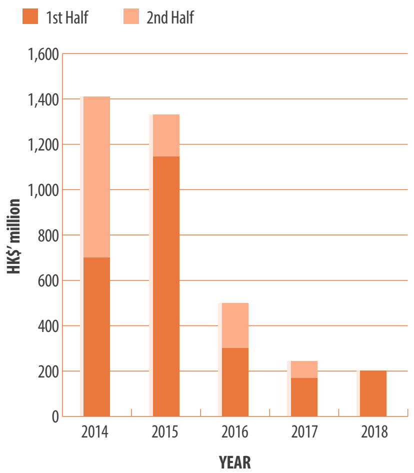
FINANCIAL HIGHLIGHTS

Revenue

Continuing operations

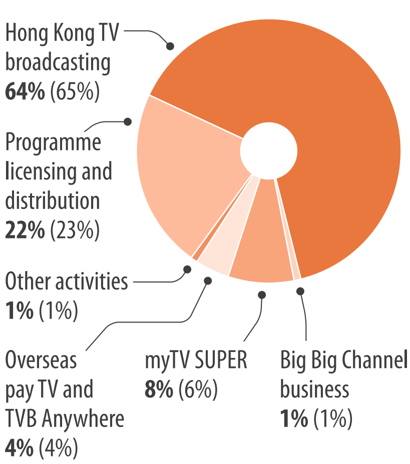


Profit Attributable to Equity Holders of the Company



Revenue from External Customers by Operating Segment

% relating to 1st half of 2017 are shown in brackets



	Six months ended 30 June **2018**	2017	Change
Performance			
Earnings per share	**HK$0.46**	HK$0.39	18%
Dividends per share			
- 2017 first interim dividend	**–**	HK$0.60	N/A
- 2018 interim dividend/ 2017 second interim dividend	**HK$0.30**	HK$0.30	–
	HK$'mil	HK$'mil	
Revenue from external customers			
- Hong Kong TV broadcasting	**1,435**	1,312	9%
- myTV SUPER	**182**	119	53%
- Big Big Channel business	**27**	23	21%
- Programme licensing and distribution	**485**	461	5%
- Overseas pay TV and TVB Anywhere	**73**	75	-2%
- Other activities	**29**	31	-13%
	2,231	2,021	10%
Segment profit / (loss) *			
- Hong Kong TV broadcasting	**95**	82	16%
- myTV SUPER	**–**	(60)	N/A
- Big Big Channel business	**(20)**	30	N/A
- Programme licensing and distribution	**267**	253	5%
- Overseas pay TV and TVB Anywhere	**(1)**	(28)	-95%
- Other activities	**27**	1	3159%
- Corporate support#	**(69)**	(79)	-13%
	299	199	50%
Total expenses △	**1,993**	1,810	10%
Profit attributable to equity holders	**201**	170	18%
	30 June 2018 HK$'mil	31 December 2017 HK$'mil	
Total assets	**11,316**	12,016	-6%
Total liabilities	**4,387**	4,859	-10%
Total equity	**6,929**	7,157	-3%
Number of issued shares	**438,000,000**	438,000,000	
Ratios			
Current ratio	**5.6**	9.2	
Gearing	**48.2%**	53.3%	

* excluding non-recurring items

\# comprised mainly of interest costs of TVB Notes

△ represented the total of cost of sales, selling, distribution and transmission costs and general and administrative expenses

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Dr. Charles CHAN Kwok Keung

VICE CHAIRMAN
LI Ruigang

EXECUTIVE DIRECTORS
Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager
Thomas HUI To

NON-EXECUTIVE DIRECTORS
Dr. Charles CHAN Kwok Keung
LI Ruigang
Anthony LEE Hsien Pin
CHEN Wen Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Raymond OR Ching Fai SBS, JP
Dr. William LO Wing Yan JP
Professor Caroline WANG Chia-Ling
Dr. Allan ZEMAN GBM, GBS, JP

BOARD COMMITTEES

EXECUTIVE COMMITTEE
Dr. Charles CHAN Kwok Keung Chairman
Mark LEE Po On
CHEONG Shin Keong
Thomas HUI To
CHEN Wen Chi

AUDIT COMMITTEE
Dr. William LO Wing Yan Chairman
Anthony LEE Hsien Pin
Dr. Raymond OR Ching Fai
Professor Caroline WANG Chia-Ling

REMUNERATION COMMITTEE
Dr. Raymond OR Ching Fai Chairman
Dr. Charles CHAN Kwok Keung
Dr. William LO Wing Yan

NOMINATION COMMITTEE
Dr. Raymond OR Ching Fai Chairman
Anthony LEE Hsien Pin
Dr. William LO Wing Yan
Dr. Allan ZEMAN

RISK COMMITTEE
Dr. Raymond OR Ching Fai Chairman
Mark LEE Po On
CHEONG Shin Keong
Dr. William LO Wing Yan
Professor Caroline WANG Chia-Ling

SENIOR MANAGEMENT
Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager
Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)
Felix TO Chi Hak Deputy General Manager (Programme and Production)
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

COMPANY SECRETARY
Adrian MAK Yau Kee
Email: companysecretary@tvb.com.hk
Fax: +852 2358 1337

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

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

LEGAL ADVISERS
Freshfields Bruckhaus Deringer
55/F, One Island East, Taikoo Place
Quarry Bay, Hong Kong

Stephenson Harwood
18/F, United Centre
95 Queensway, Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
Credit Suisse AG Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODES

TVB Ordinary Shares	
The Stock Exchange of Hong Kong:	00511
Reuters:	0511.HK
Bloomberg:	511 HK
TVB ADR Level 1 Programme:	TVBCY
TVB Finance Guaranteed Notes	
The Stock Exchange of Hong Kong:	04577
ISIN:	XS1495978329
Common Code:	149597832

AMERICAN DEPOSITARY RECEIPTS

BNY Mellon Shareowner Services
P.O. Box 30170
College Station
TX 77842-3170
USA

INVESTOR RELATIONS

Email: ir@tvb.com.hk
Fax: +852 2358 1337

WEBSITE

www.corporate.tvb.com

CORPORATE CALENDAR

FOR TELEVISION BROADCASTS LIMITED SHAREHOLDERS

EX-DIVIDEND DATE OF 2018 INTERIM DIVIDEND

17 September 2018

BOOK CLOSE PERIOD

19 September 2018 to 21 September 2018, both days inclusive

PAYMENT OF 2018 INTERIM DIVIDEND

4 October 2018

FOR HOLDERS OF US$500,000,000 AGGREGATE PRINCIPAL AMOUNT OF 3.625 PERCENT GUARANTEED NOTES DUE 2021 ISSUED BY TVB FINANCE LIMITED

INTEREST PAYMENT FOR 2018

1st interest payment: 11 April 2018
2nd interest payment: 11 October 2018

MATURITY DATE

11 October 2021

REVIEW OF OPERATIONS

OVERVIEW

The business environment for media and entertainment sector remains very challenging. Operators in the traditional media sector are re-looking at business models and modes of operation for sustainability. Some operators in the print sector have opted for online distribution and given up printed format to save costs. While channel operators are sourcing sought-after content from a fiercely competitive market to build and reinforce viewership, many are finding it hard to maintain profitability.

Recently, the tension caused by the US-China trade war has intensified, causing volatility in the stock markets. This, in the short-term, is creating more uncertainty in the economic environment, dampening the desire to invest.

The Company continues to adhere to the clear strategic directions given by the Board of Directors ("Board"). One of the directions is to invest in digital businesses. Alongside the terrestrial TV broadcasting business, TVB now operates two substantial OTT platforms at scale, myTV SUPER and TVB Anywhere, and a social media platform, Big Big Channel, with notable results. As platform owners, the business is consumer-focused, ensuring that consumers stay on for their preferred content. In recent months, the Company has spent much efforts on data analytical tools to deliver targeted advertising to the right consumer groups. This way, customers can maximise the value of advertisements placed.

These OTT platforms have demonstrated promising growth in the number of registered users and time spent by consumers since launches. Initial results confirmed that digital distribution is our future. Given time, these platforms will become the beneficiaries of subscriber growth and increasing time spent on content.

Social media is now an integral part of our lives, especially for the new generation. In July 2018, Big Big Channel further extended its service to e-commerce business by opening the Big Big Shop. Synergising with TVB's effective promotional power, this new platform adopts a "Show-and-Sell" model to achieve a highly-effective one-stop marketing solution to advertisers.

In the age of digital revolution and global competition, TVB is in the process to transform from a conventional TV station to multiple digital platforms, and also to enhance production quality to meet with global challenges. Since embarking on digital transformation in 2015, the Group had increased headcount under new businesses, including myTV SUPER, Big Big Channel and TVB Finance & Information Channel. At the same time, it is necessary to review the organisation structure due to changing business environment. To align with growth strategy, certain thematic channels will be replaced by VOD services on myTV SUPER; certain production processes for drama serials co-produced with online video platforms in Mainland China have resulted in increasing shootings on location versus in-studio; print edition of the Company's magazine will be replaced by digital version; overseas content distribution will gradually be replaced by OTT operations. All these changes will inevitably result in rationalisation of resources and savings in manpower and costs.

In Mainland China, co-production drama serials with online partners and increased online distribution have generated encouraging results. With over a quarter of TVB's drama production now being co-produced with Mainland Chinese partners, TVB can further elevate production standards to meet increasing demands. With the successes of the co-production drama serials *Legal Mavericks*; *Line Walker*: *The Prelude*; *Heart And Greed* (2017); and *Deep In The Realm Of Conscience* (2018), TVB continues to explore increasing business opportunities in Mainland China.

HONG KONG TV BROADCASTING

Hong Kong TV Broadcasting continued to be the largest revenue contributor, accounting for 64% of the Group's revenue. For the six months ended 30 June 2018 ("Period"), segment revenue from external customers increased by HK$123 million or 9% year-on-year from HK$1,312 million to HK$1,435 million mainly due to growth in co-production income from HK$95 million to HK$194 million in the first half of 2018 and a recovery in advertising income.

TV ADVERTISING

Riding on a bullish stock market last year and early 2018, the Hong Kong economy experienced a strong GDP growth of 4.6% in the first quarter, but expanded at a slower pace of 3.5% in the second quarter. The retail sector benefited from improved sentiment as the retail sales index recorded a low teen-growth since March. However, the intensifying US-China trade disputes and the recent stock market corrections have brought increased uncertainties in the markets. Against this backdrop, most of the advertising clients have opted for a cautious position in their advertising spending.

With this mixed market sentiment, the income from advertisers recorded a mild 2% year-on-year growth from HK$1,130 million to HK$1,151 million during the Period. In previous years when major sports events like the World Cup took place, quite a number of advertisers would delay their campaigns to the latter half of the year for fear that their ad spend would be over-shadowed. Countering this, the Amazing Summer sales campaign was launched in June 2018 which were well-received.

TVB channels continue to attract a diversified range of advertisers from the fast moving consumer goods category. The five highest spending categories were milk powder (-3% year-on-year), loans and mortgages (+5%), travel agents (+14%), pharmaceutical and healthcare supplements (+27%), and personal skin care (+15%).

Substantive revenue growth was led by general banking (+90%) during the Period. However, this growth was offset by lower spending from local property (-64%) and the Government (-27%) which was due to the largely one-off grand celebrations in 2017 of 20th anniversary of the return of Hong Kong to Mainland China.

Under the prevailing market conditions, TVB continues to offer a variety of advertising packages to stimulate demands and cater for the needs of different advertisers. In addition, production facilities have been enhanced to take on increased demand for TV commercial and mini programme production. It is anticipated that TVB's advertising revenue will continue its recovery path for the full year 2018.

In early July 2018, the Government announced certain relaxations in regulations governing indirect advertising in TV programmes which is welcomed by the industry. We received very positive responses from advertisers, both existing and new ones. The Company will be developing more product sponsorship opportunities in dramas as well as variety programmes for advertising clients, and anticipates that such products will be favoured by the market.

TERRESTRIAL TV CHANNELS

TVB's terrestrial TV channels, namely Jade, J2, TVB News, Pearl, TVB Finance & Information, engage with 5.6 million viewers every week. Each channel carries distinctive characteristics to attract different demographic targets.

Continuous enhancements to audience measurement are being made to truly reflect the channel's viewership. TVB now reports TV ratings of programmes on a consolidated basis which included the ratings captured during live and as-live broadcast and VOD viewing of a programme during a seven-day window after broadcast. Starting from July 2018, out-of-home TV ratings have formed part of the consolidated TV rating. Macau in-home ratings are also in the plan for inclusion in later part of the year.

REVIEW OF OPERATIONS

JADE CHANNEL

Jade maintains leadership as the most popular channel in Hong Kong. The Company continued to invest heavily in prime time programmes to serve the mass market. Strategic cooperation with leading online operators in Mainland China on production of platform-exclusive drama serials has funded TVB with bigger budgets to raise content standard. Co-produced with Tencent Penguin Pictures, *Deep In The Realm Of Conscience*, a highly-anticipated second sequel to 2009's *Beyond The Realm Of Conscience* drew significant viewerships in both Hong Kong and Mainland China. This grand production costume drama, shot on location at Hengdian World Studio, was set to tell a story of Tang Dynasty palace intrigue. The sequel boasted a fresh cast starring hot new faces in local TV drama series and attracted an accumulative stream view of over 3.5 billion on Tencent platform and a consolidated TV rating[1] of 28.6 TVRs on TVB's platforms.

Daddy Cool, a modern-day suspense thriller drama series gained great popularity. It was about a gurreilla soldier who was cryogenically frozen during the Second Sino-Japanese War and had been awaken in the present time. His reunion with the descendants in the modern era brought out the generational difference in core values and created many interesting scenes.

Apple-Colada, a comedy that centered on the life in a fruit market in Hong Kong also received positive reviews. The drama was about a debt-ridden retired actress who returned to Hong Kong to seek refuge with her niece, whom she later ran a fruit wholesale business with. The warm family and romantic moments among the characters garnered commendable ratings for the series.

Self-produced drama serials have consistently secured the position of Jade prime time blockbuster. The as-live and catch-up viewing on myTV SUPER OTT platform has further contributed to the overall TV ratings.

Flying Tiger, a police action web drama co-produced by Shaw Brothers Holdings Ltd and Youku, which was premiered on myTV SUPER as its first telecast window in Hong Kong, attracted video-on-demand stream views of over 6.5 million before Jade's telecast. This arrangement provided much confidence to further cultivate OTT viewership with first window quality content.

Station-produced cooking programmes and travelogues featuring veteran hosts continued to attract high ratings on Jade. Cooking programme *Good Cheap Eats (Sr.7)* came to its 7th serial with a unique "Show-and-Sell" model. While host Maria Cordero, as usual, dazzled the audience with her brilliant culinary skills and cooking tips on Jade channel, detailed recipes and short tutorials were streamed on Big Big Channel to further engage with fans. Advertiser-sponsored appliances used on the TV show were available for sale online at the newly opened Big Big Shop. The promising sale record attained from this pioneer show provided confidence to strengthen sales execution capability and increase the return from content investment.

Cooking Beauties returns to Jade at Saturday's Super Variety Show Slot. This well-known signature programme delighted the audience at its weekly Saturday prime time slot. Music programme *50 Golden Classics* continues the evenings' entertainment by bringing classic songs performance by veteran singers.

J2 CHANNEL

A series of programmes were produced to celebrate the 10th anniversary of the channel, such as *Big Boys Club: J2 10th Anniversary Special*, and *My, It's Been Ten Years*.

[1] Consolidated TV rating is an average rating of a programme summing spectrum rating, live and as-live viewing on myTV SUPER and other connected devices, as well as VOD consumption of that programme within a seven-day period after being aired on terrestrial TV. It represents the size of the audience expressed as a percentage of the total TV population. For 2018, the total TV population comprises 6,554,000 viewers, therefore, 1 TVR represents 65,540 viewers (1% of the total TV population).

A new programme line-up on weekday early prime time was launched in May 2018 which brought in programmes from Taiwan's Big Big Channel production. Programme variety ranged from travelogue of *Bona Fide Taiwan* and *Taipei Untouched*, to food programme *MASA's Taste of the Day* and beauty programme *Epicurean Girls* and *Just Beauty*. The new line-ups strengthened the programme variety of J2.

New interactive programme *Big Big Beauty* showcased the latest trendy products in form of consumer testing and endorsement by J2's chic and young anchors. The TV show discovers the potential of such products at the first place. It is intended that e-commerce platform Big Big Shop will accomplish the final step of purchase journey to actualise sales. This "Show-and-Sell" service will commence on J2 in later part of 2018.

TVB NEWS CHANNEL AND NEWS PROGRAMMES

TVB News Channel hosted a 10th anniversary cocktail on 21 June 2018 to celebrate this important milestone. The channel continued to be the most watched 24-hours news channel in Hong Kong with more than 1.7 million audience watching the channel at homes on a daily basis and potentially reaching 1.6 million audience-times at various outdoor establishments altogether.

TVB News App was revamped in May with enhancement on user interface and functionality. Users can now swap among three screens when watching live telecast on the app, which further improves users' experience and boosts engagement.

PEARL CHANNEL

Pearl continued to present the world's prestigious event *The Oscars®* to audience this Period. Apart from the exciting live broadcasts, Pearl audience also indulged themselves in a series of ancillary programmes such as *Know Your Oscars®* and *The Oscars® Opening Ceremony Live from the Red Carpet*. Pearl again proudly became the official broadcaster of prestigious event, *The Masters of Hong Kong 2018*. An exclusive coverage of this prestigious event and the live matches in February offered entertainment and further promoted equestrian sport.

Quality local produced programmes are always the most sparkling contents on Pearl. Entering its 12th year, *Dolce Vita* has been revamped with intriguing new segments and themes such as anchor's choice. April marked the return of *In Vino Veritas 4* which presented audience different aspects of wine stories by visiting the most beautiful chateaus of Bordeaux, exploring the legend of Burgundy wine, and meeting with the first Hong Kong winery owner in France.

TVB FINANCE & INFORMATION CHANNEL

In a 10-year transformation since digital terrestrial channel launched, channel 85 had transformed from High-Definition Jade to J5 and ultimately to TVB Finance & Information Channel with a clear position as the 24-hour finance related free TV channel. This channel has successfully built its image of a high quality wealth and information channel and accumulated an audience pool of investment savvy fans.

Station-produced programmes cover all-rounded investment contents from property, health, education, career to knowledge are well-received by this pool of target audience. The channel endeavors to stay ahead and keep audience abreast of the rapidly changing economic market.

myTV SUPER

During the Period, segment revenue increased 53% from HK$119 million to HK$182 million, accounted for 8% of our Group's turnover (2017: 6%). Subscription income grew in tandem with the increase in paid subscribers while advertising sales registered a much bigger growth of 76% year-on-year. We expect this business to further yield positive contribution in 2018.

REVIEW OF OPERATIONS

Since launch in April 2016, myTV SUPER continues to track rapid uptake in subscribers. As at 12 August 2018, registered users had exceeded 6.6 million, with 1.2 million via boxes, 4.6 million via apps and 0.8 million via web portal. myTV SUPER has successfully reached out to young affluent audience, broadening the demographics of viewing population. Bundling arrangements with trusted network partners continued.

The continual growth of subscriber base has boosted the overall TV ratings. With an all-day-all-time average rating of 1.83 TVRs during the week ended 1 July 2018, in addition with weekly time spent of 20,134,772 hours, myTV SUPER maintains as the second most watched platform in Hong Kong after flagship Jade. In addition, programmes viewed during prime time on myTV SUPER generated an average TV rating of 3.30 TVRs, further contributing to the viewership of terrestrial channels.

KPIs	Week ended 1 July 2018	Last week of 2017	Change
Active user			
Weekly unique viewers	1,527,599	1,484,423	+3%
Weekly unique stream viewers (USV)	1,262,245	1,190,722	+6%
Consumption (Hours)			
Weekly time spent	20,134,772	18,443,140	+9%
Weekly time spent per USV	16.0	15.5	+3%
Rating performance of myTV SUPER (TVRs)			
All-day-all-time ratings	1.83	1.68	+9%
Prime time ratings	3.30	2.91	+13%

The user friendly feature Smart Download had successfully facilitated viewers to enjoy our programmes anywhere on mobile data saving basis.

Since April 2018, myTV SUPER has been working with Nielsen to deploy Data Management Platform (DMP). This tool is designed to identify the right targets effectively and efficiently across myriad consumer traits. The launch of targeted advertising across age, gender, geographical locations and viewing behaviours has greatly benefited advertisers in delivering their messages to the right consumer group on a timely basis.

The increasing eyeballs on myTV SUPER are helping advertising sales growth and negotiations with advertisers who are looking for a highly effective solution. In early June 2018, myTV SUPER introduced a new advertising feature – Clickable U-Shape Wallpaper. This feature allows viewers to immediately click on the u-shape display ads for information of the promoted product or service, and further support instant purchase by scanning the on-screen QR code which redirects viewers to the merchant's landing page. This online to offline e-commerce structure, together with targeted advertising has strengthened customer's one-stop service experience and further enriched values to myTV SUPER advertisements for unlocking the true sales potential.

BIG BIG CHANNEL BUSINESS

BIG BIG CHANNEL

This segment (comprising Big Big Channel and Voice Entertainment) generated revenue from external customers which totalled HK$27 million in the Period. Since the inauguration of Big Big Channel in July 2017, more advertising income was generated from this online social media platform. Owing to upfront investment in capital and operations required for this new social media platform, a segment loss of HK$20 million was incurred for the Period.

As of 12 August 2018, Big Big Channel app itself, together with TVB's social media footprint on Facebook, Youtube, Instagram, Twitter, Tencent Weibo, Sina Weibo and Youku, attracted followers aggregating to over 11.3 million on a worldwide basis.

Big Big Channel rides on the global trend of social media and engages with users via a free app and its portal (www.bigbigchannel.com.hk). This platform delivers self-produced short-formatted video content featuring TVB's artistes and KOLs covering chic topics like home-cooking, dining-out, beauty advice, child-caring, music, young lifestyles and online games. Through this innovative platform, artistes, KOLs and fans can engage with each other through interactive activities, message exchanges, and virtual gifts.

In addition to many promotional events in Hong Kong, a special artiste event was organised in Taipei for the launch of a Taiwanese variant of Big Big Channel. Similar events followed in Malaysia and Singapore in order to boost sign-up rates for this new platform. The responses to date represents a good head start for Big Big Channel. We attribute the encouraging growth to Big Big Channel's ability to leverage on TVB's leading audience share in terrestrial TV and the fast growing subscriber base of our two popular OTT platforms, myTV SUPER and TVB Anywhere.

KPIs	Number
All platforms carrying Big Big Channel's content[2]	
Total number of followers	11,350,000
Weekly unique visitors (week ended 12 August 2018)	10,411,048
Weekly stream views (week ended 12 August 2018)	10,198,271
Big Big Channel platform only	
Number of registered users	3,114,000
Monthly active users (July 2018)	604,917
Monthly stream views (July 2018)	1,681,956

The expanding user base is helping Big Big Channel to monetise through providing content marketing for advertisers, using spun-off content from TVB programmes and interactive online games. This content marketing strategy enriches online solution offering to advertisers.

With the celebration of Big Big Channel's anniversary, the e-commerce platform Big Big Shop was launched in July 2018. Big Big Shop has adopted a "Show-and-Sell" model and has achieved initial success during the soft launch period. Big Big Shop will expand its client base and work with business partners to further exploit e-commerce potentials.

[2] Including Big Big Channel app, Facebook, Instagram, Twitter, YouTube, Sina Weibo, etc. as at 12 August 2018

REVIEW OF OPERATIONS

MUSIC ENTERTAINMENT

Under Voice Entertainment's management, a number of singer artistes made notable achievements. A presentation of a gold disc was given to Hana Kuk following her successful debut album *Forgot Myself*. Movie star and singer Pakho Chau delivered his 2018 hit *Behind the Man* which scored significant achievements across numerous digital music platforms, including KK Box, iTunes pop chart, Moov and Joox. Voice Entertainment plans to enlarge its artiste pool in the future.

PUBLICATIONS

The circulation of TVB Weekly remained steady with the support of loyal readers. To stay competitive in this evolving market, TVB Publications imposed strict and effective cost controls in order to increase its profitability.

STRATEGIC INVESTMENTS

IMAGINE TIGER TELEVISION

A year since its inception, Imagine Tiger Television ("ITT") has proven to be a leading power in scripted television content in the US, with over 30 projects under development of which six projects were sold into development at various networks. These sold projects include *68 Whiskey*, a dark comedy based on the Israeli TV show *Charlie Golf One* that was sold to Paramount Network in the first quarter of 2018. The pilot will be written by Roberto Benabib and directed by Ron Howard.

ITT is continuing to build on the momentum of the past year as it prepares for the upcoming broadcast pitch window with multiple projects ready to be taken to the network marketplace. ITT feels confident that their history of success with broadcast shows, including *24*, *Empire*, and *Arrested Development*, along with their partnership with top-tier scriptwriters and producers, will translate into further sold projects and successful TV shows.

SHAW BROTHERS HOLDINGS

Shaw Brothers Holdings released the drama series co-produced with Youku – *Flying Tiger* on Youku and TVB platforms and achieved good responses. *Flying Tiger* premiered on myTV SUPER as its first telecast window in Hong Kong before Jade's telecast in TVB. Shaw Brothers Holdings had completed the production of another drama series – *The Protector* in cooperation with iQiyi which is expected to be released in the second half of 2018.

FLAGSHIP ENTERTAINMENT GROUP

Three movie titles *Have a nice day, Really?* and *The Meg* were released to the market. Production of *Hidden Man* was completed and is scheduled for release during the second half of 2018. Several more movie titles are under production.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Total revenue from programme licensing and distribution comprising income from distribution of TVB programmes outside Hong Kong through telecast, video and new media, increased by 5% from HK$461 million to HK$485 million during the Period. The increase was mainly contributed by the growth of new media licensing revenue from Mainland China which was partially offset by lower licensing income from Singapore and Vietnam.

Traditional licensing business experienced keen competition as audiences opt for online platforms for entertainment. With changes in the media landscape, work has commenced to proactively embark on the new media ventures and to strengthen competitiveness in the market. TVB drama serials are always among the most watched online videos in our key traditional markets. Switching from the limited-reach traditional licensing to a wide-open OTT distribution will help expand the consumer base and revenue potential in the long-run, and unlock the value of TVB's extensive archive library. In Singapore, the Group has confirmed new terms for renewal of programme supply agreement with StarHub Cable Vision Limited ("StarHub"), and in addition, will negotiate with other network operators, whether traditional or new media, for content distribution arrangements. As part of a long term plan to further diversify distribution platforms from "Business-to-Business" to "Business-to-Consumer" model, work has started on the launch of TVB Anywhere and Big Big Channel services in Singapore. To re-align business resources with digital transformation goals, a local sales and marketing team will be built in Singapore to accelerate the development plan, eyeing expansion from subscription and advertising sources.

In Malaysia, the programme supply agreement with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") continues until January 2020. Traditional licensing business in Malaysia was seriously affected by the continuous economic downtrend and vigorous competitions from online platforms. In view of this, Big Big Channel service has been introduced in Malaysia.

In Vietnam, the renewal of programme supply agreement with Saigontourist Cable Television Company Limited had resulted in a lower licensing fee due to drastic shift of viewership from traditional media to online platforms over the past years. To help offset the decline, Vietnamese-versions of TVB's programmes are now offered to major new media platforms and will be soon offered to local Vietnamese consumers via TVB Anywhere.

MAINLAND CHINA OPERATIONS

Operations in Mainland China mainly comprised co-production of dramas and licensing of TVB content to TV stations and online platforms. Total revenue from Mainland China operations increased by HK$162 million or 67% year-on-year to HK$404 million (Note 6, geographical analysis), accounting for 18% of the Group's turnover (2017: 12%). The growth was mainly fueled by the increase in co-production income and licensing fee from new media platforms.

Delivery of two drama titles, namely *Deep In The Realm Of Conscience* and *Another Era* was made to Tencent and iQiyi, respectively. Thanks to the robust viewership of the three co-production titles released on Tencent and iQiyi platforms in 2017, production budget and profit have both increased from prior periods. Co-production income earned in the first half of 2018 totalled HK$194 million (2017: HK$95 million), an increase of 104%. A number of new productions are currently in various stages of preparation.

Licensing of TVB-produced titles to traditional media platforms in Mainland China remains a challenging business. Difficult operational environment faced by the national satellite TV platforms; stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television over imported dramas; and prolonged delays in improving the licensing arrangements in the Guangdong Province, are adversely affecting the traditional licensing business.

Revenue from licensing to digital new media platforms increased from HK$115 million to HK$187 million, an increase of 63%. The Group is directing more efforts into the digital new media sector to capture opportunities in this fast growing sector.

With a goal to closely engage with fans in Mainland China, a new app "Mai Dui Dui"（埋堆堆）was launched through a Mainland China associate in March 2018. Mai Dui Dui is a mobile app which targets TVB fans and is a platform for fans to collect artistes' information, update and exchange TVB related information.

REVIEW OF OPERATIONS

OVERSEAS PAY TV AND TVB ANYWHERE

This business segment's losses were narrowed by 95% year-on-year from HK$28 million to HK$1.5 million in the Period. Further positive contribution is expected by an expansion of OTT service in Southeast Asia, through working with local partners.

TVB Anywhere currently covers territories outside Hong Kong but excluding the USA and Mainland China. Since the launch of an upgraded version in June 2017, TVB Anywhere has been offering a highly-affordable, content-rich and convenient online viewing experience to overseas consumers. Through the collaboration with Companhia de Telecomunicações de Macau, S.A.R.L., TVB Anywhere's launch in Macau was successful as reflected by the growing subscriber base and advertising revenue during the Period. Registered users in territories not restricted by existing licensing contracts have accumulated to over 248,000 to-date.

Beyond Macau, TVB Anywhere service is planned for launch in Southeast Asia including Thailand and Singapore in the second half of 2018. Progressively, TVB Anywhere service shall be available in other key markets in 2019, judging by positive feedback from local network operators.

To address the travelling needs of our Hong Kong consumers, TVB began to collaborate with Hong Kong Broadband Network Limited ("HKBN") to deliver TVB content through HKBN's new mobile "global phone" service. TVB Anywhere mobile app, together with myTV SUPER, Big Big Channel and TVB News apps are pre-installed in the global phone. TVB will continue to work with other multinational electronic device manufacturers to co-market TVB Anywhere service with their new products.

Subscription and advertising revenue through OTT businesses in North America, Australia and Europe have been stabilised after repeated anti-piracy efforts in these regions.

COMBATING PIRACY

The problem of illicit streaming devices ("ISDs") continued to erode revenue. Many governmental authorities have stepped up efforts in combating the problem. Copyright owners are focusing on taking site-blocking actions to stop the wide-spread viewing of infringing contents on both websites and via ISDs. Site-blocking is becoming a mature practice in some countries, in particular the UK and Australia.

TVB filed a site-blocking application against seven ISDs in Australia in November 2017. Hearing of the application was concluded in May 2018, and successful outcome is expected. Similar site-blocking actions are being planned for other markets, including Singapore and the UK.

In the US, TVB succeeded in obtaining an injunction order against an ISD TV Pad in 2017. A follow-up application successfully extended the injunction order to its related ISD Blue TV. In June 2018, TV Pad announced the closing down of its global operation. TV Pad and Blue TV have since stopped streaming all contents.

In Canada, a coalition of TV broadcasters and content providers (including TVB) lodged an application with the Canadian government to establish an administrative site-blocking procedure. The decision on this application is pending.

Criminal convictions with jail sentences for ISD suppliers were also seen in different jurisdictions, including the UK and Hong Kong. In May 2018, the Hong Kong Customs searched four ISD retail shops and arrested eight persons for selling ISDs. This operation has created a significant deterrent effect in Hong Kong.

FINANCIAL REVIEW

OPERATING RESULTS

For the Period, the Group's business segments comprised Hong Kong TV broadcasting; myTV SUPER; Big Big Channel business; programme licensing and distribution; overseas pay TV and TVB Anywhere; and other activities which mainly include publications.

As noted in Review of Operations, the Group is in the process to transform from a conventional TV station to multiple digital platforms. This process had given rise to inevitable increases in costs as a result of (i) the launch of Big Big Channel in July 2017; and (ii) the expansion of myTV SUPER OTT service.

Revenue of the Group increased from HK$2,021 million to HK$2,231 million, an increase of 10%. Cost of sales increased from HK$1,094 million to HK$1,145 million, an increase of 5%. As a result, gross profit amounted to HK$1,086 million (2017: HK$927 million), an increase of 17%. Gross profit percentage was 49% (2017: 46%).

Segment revenue from Hong Kong TV broadcasting's external customers increased from HK$1,312 million to HK$1,435 million, an increase of 9%, which was mainly fueled by increased co-production income from HK$95 million to HK$194 million for two drama titles delivered to Tencent and iQiyi – *Deep In The Realm Of Conscience* and *Another Era*, respectively. Income from advertisers in Hong Kong increased mildly from HK$1,130 million to HK$1,151 million, an increase of 2%.

Segment revenue from myTV SUPER's external customers increased from HK$119 million to HK$182 million, an increase of 53%, which was supported by promising growth in subscription and advertising incomes from myTV SUPER service.

Segment revenue from programme licensing and distribution business's external customers increased from HK$461 million to HK$485 million, an increase of 5%. The increase was mainly attributable to better new media licensing revenue from Youku, and was partly offset by lower licensing income from Singapore and Vietnam as a result of a change in the terms of new supply contracts.

Cost of sales increased from HK$1,094 million to HK$1,145 million, an increase of 5%. Included in cost of sales were the cost of programmes and film rights which amounted to HK$897 million (2017: HK$842 million). The increase was mainly due to higher costs of self-produced drama (partly to support the production costs of the two co-production drama titles *Deep In The Realm Of Conscience* and *Another Era*) and increased content costs for myTV SUPER.

Selling, distribution and transmission costs increased from HK$284 million to HK$365 million, an increase of 29%. This increase was mainly attributed to costs relating to the operations of the new digital platforms and movements in some cost provisions.

General and administrative expenses increased from HK$431 million to HK$483 million, an increase of 12%. The increase was mainly attributable to the business development of the new digital platforms and the absence of the write-back of provision for impairment losses on certain trade receivables.

Gain on disposal of investment properties in 2018 was relating to the sale of two floors of an investment property in Taipei which was considered non-core asset. After the last disposal in 2018, the Group is retaining the remaining two floors in the same block for operation of Big Big Channel in Taiwan and property investments.

The increase in interest income from HK$43 million to HK$110 million was driven by the enlarged investment portfolio (classified as Financial assets at amortised costs and Financial assets at fair value through profit or loss in the statement of financial position at 30 June 2018) consisting of fixed income and convertible securities, and a promissory note to Imagine Tiger Television LLC ("ITT"). This investment portfolio was set up for treasury management so that higher interest income can be earned on the funds.

Finance costs for the Period amounted to HK$69 million (2017: HK$79 million) which were mainly attributed to the interest costs of TVB's US$500 million 3.625% Notes due 2021 ("TVB Notes").

REVIEW OF OPERATIONS

Since ITT's commencement of operation in July 2017, the Group had absorbed losses of this joint venture, ITT, of HK$33 million in the second half of 2017 and HK$50 million during the Period. The losses for the Period were contributed by the costs of preparation of possible TV projects for development into a TV slate for networks in the US, and interest costs of HK$31 million on a promissory note payable to the Group. This income was earned by the Group and booked under interest income.

Profit before income tax for the Period increased from HK$216 million to HK$276 million, an increase of 28%.

The Group's income tax expense increased from HK$43 million to HK$49 million, an increase of 14%. Whilst TVB's main business in Hong Kong was subject to profits tax rate at 16.5%, the Group's major subsidiaries operate overseas whose effective rates vary from 0% to 30%.

Overall, the Group's profit attributable to equity holders for the Period increased from HK$170 million to HK$201 million, an increase of 18%.

Adjusted EBITDA[3] (excluding non-recurring items such as the disposal gain on investment properties) increased from HK$419 million to HK$463 million, an increase of 11%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 30 June 2018. Total equity stood at HK$6,929 million (31 December 2017: HK$7,157 million). There has been no change in the share capital of the Company, namely the 438,000,000 ordinary shares in issue.

At 30 June 2018, the Group had restricted cash of HK$1 million (31 December 2017: HK$4,307 million). Decrease was mainly due to the release of restricted cash of HK$4,209 million set aside at 31 December 2017 for the share buy-back offer following the Board's decision announced on 23 January 2018 not to proceed with the share buy-back offer.

The Group had unrestricted bank and cash balances of HK$2,029 million (31 December 2017: HK$893 million) as at 30 June 2018. About 36% of the unrestricted bank and cash balances were maintained in overseas subsidiaries for their daily operations. Unrestricted bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, New Taiwan dollars and Renminbi.

Under a set of guidelines laid down by the Executive Committee, the Company maintains a portfolio of fixed income securities which are held to maturity for overall enhancement of the interest yield of the Company's fund. Such fixed income securities are selected from bonds issued by listed companies or state-owned companies, with or without credit ratings, taking into account the business sector; the coupon rate and the yield-to-maturity; the currency; and the maturity dates. The Executive Committee reviews the portfolio at each meeting to ensure that the guidelines are adhered to, and the investment objectives are fulfilled.

[3] Adjusted EBITDA means profit for the period before finance costs, income tax expense, depreciation and amortisation, share of results of joint ventures/associates, interest income and gain on disposal of investment properties. Adjusted EBITDA is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards. The computation of the Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

As at 30 June 2018, the Company's portfolio of fixed income securities which were held to maturity amounted to HK$2,376 million (31 December 2017: HK$775 million). These fixed income securities (classified under "Financial assets at amortised cost") were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield-to-maturity of 5.67% per annum (31 December 2017: 6.03%) and have maturity dates ranging from 28 July 2019 to 1 October 2027. The largest fixed income securities from the same issuer within the portfolio, which is made up by a total of 44 (31 December 2017: 18) issuers of fixed income securities, represented approximately 2.4% (31 December 2017: 1.7%) of the total assets of the Group as at 30 June 2018. The interest received during the Period from the bond securities at amortised cost amounted to HK$40,947,000 (2017: HK$18,689,000).

The Group had entered into subscription agreement for US$23 million 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) ("Fixed Coupon Bonds") and US$83 million 7.5% secured redeemable convertible bonds due 2020 (extendable to 2021) ("Convertible Bonds"), both issued by SMI Holdings Group Limited, a company listed in Hong Kong. The purpose of the subscriptions was to broaden the Group's sources of income and to provide the Group with a stable investment return. The Fixed Coupon Bonds and the Convertible Bonds were classified under "Financial assets at amortised cost" and "Financial assets at fair value through profit or loss" respectively as at 30 June 2018.

Trade receivables from third parties amounted to HK$1,647 million (31 December 2017: HK$1,588 million) an increase of 4% over the last year end. Receivables from new media licensing revenue from Mainland China and subscription revenue from myTV SUPER business contributed to the increase. Provision has been made to cover any potential bad and doubtful debts.

Other receivables, prepayments and deposits amounted to HK$692 million (31 December 2017: HK$483 million). As set out in Note 11, China Energy Reserve and Chemicals Group ("CERC") had defaulted the payment of the principal of a bond ("2018 CERC Bond") due in May 2018 and as a result, this triggered a cross default for another bond held by the Group ("2019 CERC Bond") due in January 2019. The aggregated nominal amount of the 2018 CERC Bond and the 2019 CERC Bond amounted to US$12 million, and as a result of the default, were reclassified from "Financial assets at amortised cost" to "Other receivables, prepayment and deposits" in the statement of financial position at 30 June 2018. Apart from this, increase in advance payments for drama production and accrued interests from the investment portfolio further contributed to the increase.

At 30 June 2018, the Group's net current assets amounted to HK$4,255 million (31 December 2017: HK$7,265 million), a decrease of 41%. The decrease in net current assets was due to the decrease in cash as a result of the purchase of securities for the investment portfolio, classified under Non-current assets. The current ratio, expressed as the ratio of current assets to current liabilities, was 5.6 at 30 June 2018 (31 December 2017: 9.2).

Borrowings at 30 June 2018 totalled HK$3,337 million (31 December 2017: HK$3,814 million) which were made up mainly by the TVB Notes and a small bank overdraft. During the Period, the Company purchased US$68 million nominal amount of the TVB Notes at a price of US$67 million. At 30 June 2018, the gearing ratio, expressed as a ratio of gross debts to total equity, was 48.2% (31 December 2017: 53.3%).

REVIEW OF OPERATIONS

The TVB Notes are guaranteed by the Company and are listed in Hong Kong. The proceeds from the TVB Notes have been deployed to fund the expansion of digital new media business (namely, myTV SUPER, TVB Anywhere and Big Big Channel) and other capital expenditures, and to make strategic investments (namely, ITT) and for general corporate purposes.

At 30 June 2018, the Group had capital commitments totalling HK$174 million (31 December 2017: HK$227 million), a decrease of 23%.

FINANCIAL GUARANTEES

At 30 June 2018, there were guarantees given to banks amounting to HK$8 million (31 December 2017: HK$8 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, and TVB Notes. 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 the Period.

SHARE OPTION SCHEMES

The Company and a wholly-owned subsidiary, Big Big Channel Holdings Limited ("Big Big Channel Holdings") adopted the Share Option Scheme and the Subsidiary Share Option Scheme respectively on 29 June 2017. These share option schemes are valid and effective for a period of ten years from the date of adoption. 17,000,000 share options were granted by the Company under the Share Option Scheme during the Period. No share options had been granted by Big Big Channel Holdings under the Subsidiary Share Option Scheme during the Period.

Particulars of the share option schemes are set out in Note 18 to the condensed consolidated financial information.

HUMAN RESOURCES

As of 30 June 2018, the Group employed a total of 4,333 full-time employees (31 December 2017: 4,436), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales, and non-sales personnel. Contract artistes are paid either per show or per package of shows. Sales personnel are remunerated on commission-based schemes, while non-sales personnel receive monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance. About 3% of the Group's manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

Under the share option schemes of the Group, options may be granted to directors and employees of the Group to subscribe for shares in the Company and in Big Big Channel Holdings.

The Group periodically organises seminars, courses, and workshops on subjects of technical interests, such as industrial safety, management skills, and other relevant topics, either in-house or with other vocational institutions. Apart from training sponsored by the Company, employees may also enroll in other courses on their own initiatives.

To sustain the long-term steady supply of human resources for production, the Group has implemented a number of new initiatives targeting training and development of internal staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within the business.

SHARE BUY-BACK

On 23 January 2018, the Company applied to the Securities and Futures Commission for consent to allow the Company not to proceed with the share buy-back offer, as the timeline for the conclusion of the Communications Authority ("CA")'s assessment relating to the Company's previous shareholding change applications in 2015 and 2016 (the "Assessment") could not be ascertained. Since then, the Company has responded to the queries of the CA and provided information requested by the CA.

The Company will continue to assist the CA with its Assessment with the view to bringing the matter to a prompt conclusion.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and a 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"), which is in line with the requirements of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company was in compliance with the code provisions of the CG Code during the Period.

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 ("Model Code") as set out in Appendix 10 of the Listing Rules 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.

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance have confirmed that they had complied with the Model Code throughout the Period.

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest biographical details of the Directors of the Company in its 2017 Annual Report and up to the date of this interim report, the following changes in Director's information took place which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

On 1 April 2018, Dr. Raymond Or Ching Fai was re-designated from an executive director to a non-executive director of China Strategic Holdings Limited, and was re-designated from an independent non-executive director to an executive director of Esprit Holdings Limited, both companies are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") .

On 28 June 2018, Dr. William Lo Wing Yan was appointed as an independent non-executive director of Hsin Chong Group Holdings Limited, a company which is listed on the Stock Exchange.

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 and is supported by five Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee. Each of them has defined terms of reference covering its authority, duties and functions.

At 30 June 2018, the Board and its Committees comprised:

Board of Directors	also serving:	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Chairman and Non-executive Director						
Charles Chan Kwok Keung		Chairman	–	Member	–	–
Vice Chairman and Non-executive Director						
Li Ruigang		–	–	–	–	–
Executive Directors						
Mark Lee Po On		Member	–	–	–	Member
Cheong Shin Keong		Member	–	–	–	Member
Thomas Hui To		Member	–	–	–	–
Non-executive Directors						
Anthony Lee Hsien Pin		–	Member	–	Member	–
Chen Wen Chi		Member	–	–	–	–
Independent Non-executive Directors						
Raymond Or Ching Fai		–	Member	Chairman	Chairman	Chairman
William Lo Wing Yan		–	Chairman	Member	Member	Member
Caroline Wang Chia-Ling		–	Member	–	–	Member
Allan Zeman		–	–	–	Member	–

Mr. Thomas Hui To had been re-designated as an Executive Director of the Company on 21 March 2018.

Save as information disclosed above, there is no other changes to the composition of the Board and its Committees, during the Period and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company whose report is set out on page 61. 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 Board of Directors has declared the payment of an interim dividend of HK$0.30 per share for the year ending 31 December 2018 ("Interim Dividend") to shareholders of the Company ("Shareholders"). The Interim Dividend will be paid in cash to Shareholders whose names are recorded on the Register of Members of the Company on 21 September 2018. The dividend warrants will be despatched to Shareholders on 4 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19 September 2018 to Friday, 21 September 2018, both dates inclusive, 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 be entitled to the Interim Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 18 September 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 30 June 2018, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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, are set out below:

Interests in the shares of the Company

	Number of ordinary shares held					Percentage in 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)(e)]	26.00
Li Ruigang	–	–	113,888,628	–	113,888,628 [#(c)(e)]	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 [#(d)(e)]	26.00
Mark Lee Po On	–	438,000	–	–	438,000 [(e)]	0.10

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".
- The nature of the interests shown in the table here is provided in the notes below and the notes under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 30 June 2018:

(a) Percentage in share capital was based on 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 as he was one of the parties to an agreement of which Section 317 of the SFO applies. Dr. Chan held these shares through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers was an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which was 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) Mr. Li Ruigang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which was in turn a wholly-owned subsidiary of CMC Holdings Limited ("CMC Holdings"). CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer was wholly-owned by Brilliant Spark Holdings Limited ("Brilliant Spark"). Brilliant Spark was wholly-owned and controlled by Mr. Li.

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

(e) The interests held by these Directors represented long positions.

Interest in the underlying shares of the Company

	Number of underlying shares held					Percentage in share capital
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	(%) [a]
Mark Lee Po On	2,000,000	–	–	–	2,000,000	0.46
Cheong Shin Keong	1,000,000	–	–	–	1,000,000	0.23
Thomas Hui To	2,000,000	–	–	–	2,000,000	0.46

Notes:

At 30 June 2018:

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

(b) Share options ("Options") were granted to the Directors on 22 March 2018 under the share option scheme adopted by the Company on 29 June 2017. Each Option entitles the holder to subscribe for one share of the Company.

(c) The exercise price of the Options granted is HK$25.84 per share.

(d) The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).

(e) The vesting period of the Options, is set out below:

– 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);

– 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);

– 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);

– 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and

– 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

(f) All the interests stated above represent long positions.

Interests in the shares of the associated corporation of the Company

Name of associated corporation	Name of Director	Number of ordinary shares held					Percentage in share capital (%)
		Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Shine Investment Limited	Li Ruigang	–	–	102	–	102 [b][c]	85.00 [a]

Notes:

At 30 June 2018:

(a) Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation of the Company in issue.

(b) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which were controlled by Mr. Li Ruigang.

(c) The interests held by this Director represented long positions.

Save for the information disclosed above, at no time during the Period, the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV 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.

SHARE OPTION SCHEMES

Share Option Scheme of the Company

The Company adopted a share option scheme ("TVB Option Scheme") at the annual general meeting of its Shareholders held on 29 June 2017 (Adoption Date for TVB Option Scheme). Details of movement in the Options during the Period, are set out below:

Name of grantee	Date of grant	Number of Options: Outstanding at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding at 30 June 2018	Exercise price per share	Closing price of the Company's shares at the date of grant	Exercise period
Directors										
Mark Lee Po On	22 March 2018	–	2,000,000	–	–	–	2,000,000	HK$25.84	HK$25.60	Note 2
Cheong Shin Keong	22 March 2018	–	1,000,000	–	–	–	1,000,000	HK$25.84	HK$25.60	Note 2
Thomas Hui To	22 March 2018	–	2,000,000	–	–	–	2,000,000	HK$25.84	HK$25.60	Note 2
Sub-total		–	5,000,000	–	–	–	5,000,000			
Employees (In aggregate)	22 March 2018	–	8,500,000	–	–	–	8,500,000	HK$25.84	HK$25.60	Note 2
Sub-total		–	8,500,000	–	–	–	8,500,000			
Employees of subsidiaries (In aggregate)	22 March 2018	–	3,000,000	–	–	–	3,000,000	HK$25.84	HK$25.60	Note 2
Sub-total		–	3,000,000	–	–	–	3,000,000			
Other Participant	22 March 2018	–	500,000	–	–	–	500,000	HK$25.84	HK$25.60	Note 2
Sub-total		–	500,000	–	–	–	500,000			
Total		–	17,000,000	–	–	–	17,000,000			

Notes:

1. The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).

2. The vesting period of the Options, is set out below:

   (i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);

   (ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);

   (iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);

   (iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and

   (v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

   The Options are exercisable from the aforesaid dates until 22 March 2023.

The Company offered to grant the Options ("Offer") and each grantee accepted the offer of the Options of all the shares set out in their respective offer letters on 22 March 2018 by paying the Company HKD1.00 as consideration for the acceptance of the Offer. Each Option entitles the holder to subscribe for one share of the Company.

The Options granted to Mr. Mark Lee Po On, Mr. Cheong Shin Keong and Mr. Thomas Hui To, all are Executive Directors of the Company, had been approved by the Directors (including all Independent Non-executive Directors) of the Company at its meeting on 22 March 2018.

The details of Options granted to the participants during the Period as disclosed in the above table and the accounting policy adopted for the Options are set out in Note 18 to the condensed consolidated financial information.

Subsidiary Share Option Scheme of Big Big Channel Holdings

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings ("Subsidiary Option Scheme") at the annual general meeting of its Shareholders held on 29 June 2017 (Adoption Date for Subsidiary Option Scheme). No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme during the Period.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during the Period was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2018, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, 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:

Interests in the shares of the Company

Name	Number of ordinary shares held	Percentage in share capital (%)[a]
Shaw Brothers Limited [b]	113,888,628 #(c)(f)(h)	26.00
Young Lion Acquisition Co. Limited	113,888,628 #(c)(f)(h)	26.00
Young Lion Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Innovative View Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Brilliant Spark Holdings Limited	113,888,628 #(d)(h)	26.00
Gold Pioneer Worldwide Limited	113,888,628 #(d)(h)	26.00
GLRG Holdings Limited	113,888,628 #(d)(h)	26.00
CMC Holdings Limited	113,888,628 #(d)(h)	26.00
CMC M&E Holdings Ltd.	113,888,628 #(d)(h)	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 #(d)(f)(h)	26.00
Wang Hsiueh Hong	113,888,628 #(e)(h)	26.00
Kun Chang Investment Co. Ltd.	113,888,628 #(e)(h)	26.00
Profit Global Investment Limited	113,888,628 #(e)(f)(h)	26.00
Silchester International Investors LLP	61,407,500 (g)(h)	14.02
Dodge & Cox	40,163,800 (g)(h)	9.17
Silchester International Investors International Value Equity Trust	26,307,900 (h)	6.01

Notes:

Duplication of shareholdings occurred between parties# shown in the table here and above under the sub-heading of "Directors' and Chief Executive's Interests in the Shares and Underlying Shares of the Company and its Associated Corporation".

At 30 June 2018:

(a) Percentage in the 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 was an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Charles Chan Kwok Keung ("Dr. Chan", the Chairman of the Board of the Company) with Mr. Li Ruigang ("Mr. Li", the Vice Chairman of the Board of the Company) and Ms. Wang Hsiueh Hong ("Ms. Wang") as the other two members.

(c) YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of YLH, which was controlled by Dr. Chan, through IVH.

(d) CMC M&E Acquisition was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Holdings. CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Brilliant Spark was wholly-owned and controlled by Mr. Li.

(e) Ms. Wang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.

(f) Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties of an agreement ("Agreement") to hold the interest in these 113,888,628 shares in the Company. The Agreement was an agreement to which Section 317 of the SFO applied.

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

(h) The interests held by these persons/entities represented long positions.

Save for the information disclosed above, at no time during the Period, no other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares and debentures 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 and the Stock Exchange.

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 30 June 2018, the Group had provided the following financial assistance to SMI Holdings Group Limited ("SMI"), a company listed on the Stock Exchange (stock code: 00198) and an independent third party of the Group, which in aggregate exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and hence constituted an advance to an entity under Rule 13.13 of the Listing Rules:

- US$23,000,000 9.5% unsecured redeemable fixed coupon bonds issued by SMI ("Bonds")

  In April 2018, the Company subscribed for the Bonds which are unsecured and bear an interest rate of 9.5% per annum payable semi-annually. The Bonds will mature in 2020 (extendable to 2021 by mutual agreement).

  Unless early redeemed with the consent of the Company, the Bonds will be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Bonds and (ii) all accrued and unpaid interest on or prior to the maturity date.

- US$83,000,000 7.5% secured redeemable convertible bonds issued by SMI ("Convertible Bonds")

  In May 2018, the Company subscribed for the Convertible Bonds which are secured by a share charge in respect of the entire share capital of SMI International Cinemas Limited, a wholly-owned subsidiary of SMI, and bear an interest rate of 7.5% per annum payable semi-annually. The Convertible Bonds will mature in 2020 (extendable to 2021 by mutual agreement).

  Unless otherwise redeemed, converted or cancelled, the Convertible Bonds will be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the maturity date) minus (b) all interest paid on or prior to the maturity date.

  Without prejudice to the foregoing, SMI may at any time after expiry of 6 months from the issue date but not less than 14 business days prior to the maturity date, by giving not less than 10 days' nor more than 30 days' notice to the bondholder(s), redeem all or part of the Convertible Bonds, at the redemption price in the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the redemption date) minus (b) all interest paid on or prior to the redemption date.

For details of the above advances to SMI, please refer to the Company's announcement dated 2 May 2018. As at 30 June 2018, the outstanding principal of the above advances remained as US$106,000,000.

As at 30 June 2018, the Group had provided other financial assistance to certain affiliated companies (as defined under the Listing Rules), which in aggregate exceeded 8% under the assets ratio. The financial assistance provided to ITT (a 50% owned joint venture of the Group) also constituted an advance to an entity under Rule 13.13 of the Listing Rules.

In July 2017, the Group subscribed for the promissory note issued by ITT in the aggregate principal amount of US$66,666,667 ("Promissory Note"). The Promissory Note is unsecured and bears an interest rate of 12% per annum payable annually and will mature in July 2032. ITT may repay the outstanding principal under the Promissory Note in whole or in part from time to time, provided that any repayment during the period of four years from 26 July 2017 shall be subject to the prior approval of the board of directors of ITT. Details of the Promissory Note please refer to the Company's announcement dated 26 July 2017. As at 30 June 2018, the outstanding principal of the Promissory Note remained as US$66,666,667.

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2018 are presented as follows:

	Combined statement of financial position HK$'000	The Group's attributable interest HK$'000
Non-current assets	6	3
Current assets	776,156	769,846
Current liabilities	(130,814)	(96,380)
Net current assets	645,342	673,466
Total assets less current liabilities	645,348	673,469
Non-current liabilities	(523,100)	(523,100)
Net assets	122,248	150,369

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

During the Period, the Company purchased US$67,710,000 nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US$67,365,000 through the open market as part of its investment portfolio. As at 30 June 2018, US$500,000,000 nominal amount of TVB Notes remained outstanding. Details of TVB Notes purchased are set out in Note 16 to the condensed consolidated financial information.

Save for the information disclosed above, 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 during the Period.

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 2018

	Note	**30 June 2018 Unaudited HK$'000**	31 December 2017 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,844,607**	1,874,535
Investment properties	7	**30,173**	31,106
Land use rights	7	**52,340**	54,301
Intangible assets	7	**114,172**	85,587
Interests in joint ventures	8	**710,878**	769,138
Interests in associates		**168,220**	169,486
Financial assets at fair value through other comprehensive income		**47,436**	–
Financial assets at fair value through profit or loss	9	**654,341**	–
Financial assets at amortised cost	10	**2,376,124**	–
Deferred income tax assets		**20,405**	26,488
Prepayments	11	**115,758**	93,429
Available-for-sale financial assets		**–**	47,436
Held-to-maturity financial assets	10	**–**	711,829
Total non-current assets		**6,134,454**	3,863,335
Current assets			
Programmes and film rights		**882,738**	874,448
Stocks		**36,263**	40,774
Trade and other receivables, prepayments and deposits	11	**2,171,231**	1,901,981
Interests in joint ventures	8	**58,301**	27,068
Tax recoverable		**2,006**	3,597
Restricted cash	12	**1,482**	4,306,886
Bank deposits maturing after three months		**297,680**	61,227
Cash and cash equivalents		**1,731,484**	831,301
Non-current asset held for sale	22	**–**	42,555
Held-to-maturity financial assets	10	**–**	62,737
Total current assets		**5,181,185**	8,152,574
Total assets		**11,315,639**	12,015,909
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	**664,044**	664,044
Other reserves	14	**153,947**	148,277
Retained earnings		**5,925,274**	6,182,512
		6,743,265	6,994,833
Non-controlling interests		**185,457**	162,214
Total equity		**6,928,722**	7,157,047

	Note	30 June 2018 Unaudited HK$'000	31 December 2017 Audited HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**3,301,600**	3,814,406
Deferred income tax liabilities		**159,187**	157,248
Total non-current liabilities		**3,460,787**	3,971,654
Current liabilities			
Trade and other payables and accruals	15	**866,205**	871,667
Current income tax liabilities		**24,370**	15,541
Borrowings	16	**35,555**	–
Total current liabilities		**926,130**	887,208
Total liabilities		**4,386,917**	4,858,862
Total equity and liabilities		**11,315,639**	12,015,909

The notes on pages 34 to 60 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited Six months ended 30 June 2018 HK$'000	 2017 HK$'000
Revenue	6	**2,230,585**	2,021,169
Cost of sales		**(1,144,747)**	(1,093,862)
Gross profit		**1,085,838**	927,307
Other revenues		**17,439**	15,858
Interest income		**110,128**	43,074
Selling, distribution and transmission costs		**(365,287)**	(284,195)
General and administrative expenses		**(482,984)**	(431,483)
Other gains, net		**2,180**	6,908
Gain on disposal of investment properties	22	**27,058**	18,483
Operating profit		**394,372**	295,952
Finance costs		**(68,555)**	(78,918)
Share of (losses)/profits of:			
Joint ventures		**(49,589)**	1,011
Associates		**139**	(1,589)
Profit before income tax	17	**276,367**	216,456
Income tax expense	19	**(48,931)**	(43,066)
Profit for the period		**227,436**	173,390
Profit attributable to:			
Equity holders of the Company		**201,341**	170,180
Non-controlling interests		**26,095**	3,210
		227,436	173,390
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	20	**HK$0.46**	HK$0.39

The notes on pages 34 to 60 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
Profit for the period	**227,436**	173,390
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**(13,063)**	69,412
– Joint ventures	**18**	(539)
Share of other comprehensive income of an associate	**(1,405)**	44
Other comprehensive income for the period, net of tax	**(14,450)**	68,917
Total comprehensive income for the period	**212,986**	242,307
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**189,743**	234,054
Non-controlling interests	**23,243**	8,253
Total comprehensive income for the period	**212,986**	242,307

The notes on pages 34 to 60 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		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 2017		664,044	3,053	6,397,589	7,064,686	165,405	7,230,091
Comprehensive income:							
Profit for the period		–	–	170,180	170,180	3,210	173,390
Other comprehensive income:							
Currency translation differences							
– Group		–	64,369	–	64,369	5,043	69,412
– Joint ventures		–	(539)	–	(539)	–	(539)
Share of other comprehensive income of an associate		–	44	–	44	–	44
Total comprehensive income, net of tax, for the period ended 30 June 2017		–	63,874	170,180	234,054	8,253	242,307
Transactions with owners:							
Transferred to legal reserve	14	–	64,498	(64,498)	–	–	–
2017 first interim dividends paid	21	–	–	(262,800)	(262,800)	–	(262,800)
Total contributions by and distributions to owners		–	64,498	(327,298)	(262,800)	–	(262,800)
Change in ownership interests in subsidiaries without change of control		–	(3,741)	–	(3,741)	(35,165)	(38,906)
Total transactions with owners		–	60,757	(327,298)	(266,541)	(35,165)	(301,706)
Balance at 30 June 2017		664,044	127,684	6,240,471	7,032,199	138,493	7,170,692
Balance at 31 December 2017 as originally presented		664,044	148,277	6,182,512	6,994,833	162,214	7,157,047
Change in accounting policy		–	–	(12,397)	(12,397)	–	(12,397)
Restated total equity as at 1 January 2018		664,044	148,277	6,170,115	6,982,436	162,214	7,144,650
Comprehensive income:							
Profit for the period		–	–	201,341	201,341	26,095	227,436
Other comprehensive income:							
Currency translation differences							
– Group		–	(10,211)	–	(10,211)	(2,852)	(13,063)
– Joint ventures		–	18	–	18	–	18
Share of other comprehensive income of an associate		–	(1,405)	–	(1,405)	–	(1,405)
Total comprehensive income, net of tax, for the period ended 30 June 2018		–	(11,598)	201,341	189,743	23,243	212,986
Transactions with owners:							
Share-based payments	14	–	9,086	–	9,086	–	9,086
Transferred to legal reserve	14	–	8,182	(8,182)	–	–	–
2017 final dividends paid	21	–	–	(131,400)	(131,400)	–	(131,400)
2017 special dividends paid	21	–	–	(306,600)	(306,600)	–	(306,600)
Total transactions with owners		–	17,268	(446,182)	(428,914)	–	(428,914)
Balance at 30 June 2018		**664,044**	**153,947**	**5,925,274**	**6,743,265**	**185,457**	**6,928,722**

The notes on pages 34 to 60 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	23	**288,960**	172,367
Hong Kong tax paid		**(12,919)**	(33,864)
Overseas tax paid		**(17,633)**	(215,842)
Net cash generated from/(used in) operating activities		**258,408**	(77,339)
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		**(193,207)**	(245,771)
Purchases of intangible assets		**(32,469)**	(16,064)
Purchases of bond securities		**(1,710,621)**	(265,349)
Purchases of convertible bonds		**(651,509)**	–
Redemption of bond securities		**15,632**	15,561
Fund advanced repaid by a joint venture		**11,550**	–
(Increase)/decrease in bank deposits maturing after three months		**(236,453)**	571,137
Redemption of certificates of deposit		**–**	775,400
Net proceeds from disposal of investment properties		**70,741**	39,783
Proceeds from disposal of property, plant and equipment		**1,009**	696
Interest received		**55,830**	49,804
Net cash (used in)/generated from investing activities		**(2,669,497)**	925,197
Cash flows from financing activities			
Purchase of notes	16	**(527,545)**	(65,872)
Interest paid		**(68,907)**	(75,357)
Acquisition of additional interest in subsidiaries		**–**	(38,906)
Decrease/(increase) in restricted cash		**4,305,404**	(4,280,243)
Dividends paid to equity holders of the Company		**(438,000)**	(262,800)
Net cash generated from/(used in) financing activities		**3,270,952**	(4,723,178)
Net increase/(decrease) in cash and cash equivalents		**859,863**	(3,875,320)
Cash and cash equivalents at 1 January		**831,301**	5,520,962
Effect of foreign exchange rate changes		**4,765**	117,909
Cash and cash equivalents at 30 June		**1,695,929**	1,763,551
Analysis of cash and cash equivalents:			
Cash at bank and on hand		**1,481,649**	273,550
Short-term bank deposits maturing within three months		**249,835**	1,490,001
Less: Bank overdraft	16	**(35,555)**	–
		1,695,929	1,763,551

The notes on pages 34 to 60 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 22 August 2018.

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This interim financial information has not been audited, but has been reviewed by the Audit Committee of the Company, and by PricewaterhouseCoopers, our Auditor, in accordance with the 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 ("HKICPA").

2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2017 annual financial statements.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

– HKFRS 9, "Financial instruments" and

– HKFRS 15, "Revenue from contracts with customers".

The impact of the adoption of these standards and the new accounting policies are disclosed as below. The other standards effective for the financial year ending 31 December 2018 do not have a material impact on the Group.

HKFRS 9 – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(a)(iii) below.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	HK$'000
Balance at 31 December 2017 as originally presented	6,182,512
Increase in provision for trade receivables	(12,397)
Opening retained earnings at 1 January 2018	6,170,115

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available-for-sale HK$'000	Held-to-maturity HK$'000	Fair value through other comprehensive income ("FVOCI") HK$'000	Amortised cost HK$'000
Closing balance at 31 December 2017- HKAS 39	47,436	774,566	–	–
Reclassify investments from available-for-sale to FVOCI	(47,436)	–	47,436	–
Reclassify bond securities from held-to-maturity to amortised cost	–	(774,566)	–	774,566
Opening balance at 1 January 2018-HKFRS 9	–	–	47,436	774,566

The main effects resulting from this reclassification are as follows:

Reclassification from available-for-sale to FVOCI

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

Reclassification from held-to-maturity to amortised cost

Debenture assets that would have previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) Impairment of financial assets

The Group's trade receivables are subject to HKFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under HKFRS 9. The impact of the change in impairment methodology on the Group's retained earnings is disclosed as follows:

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Provision for impairment loss on trade receivables HK$'000
Balance at 31 December 2017 – calculated under HKAS 39	173,068
Amounts restated through opening retained earnings	12,397
Opening loss allowance at 1 January 2018 – calculated under HKFRS 9	185,465

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Debt investments

Except China Energy Reserve and Chemicals Group ("CERC") Bonds as detailed in Note 11, all of the Group's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period would be therefore limited to 12 months expected losses. Management consider 'low credit risk' for bonds as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, resulted in immaterial impact on the loss allowance for these financial assets.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Debt investments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other revenues when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) HKFRS 15 – Accounting policies

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs, which best depict the Group's performance in satisfying the performance obligation.

The timing of revenue recognition and accounting policies under HKFRS 15 for the Group is not materially different from the prior reporting periods and no retrospective adjustments were required.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group (continued)

(iv) HKFRS 15 – Accounting policies (continued)

Incremental costs incurred to obtain a contract or the costs incurred to generate/enhance resources of the Group that will be used in satisfying performance obligations of a specifically identified contract in the future, if recoverable, are capitalised as contract acquisition and fulfilment costs and subsequently amortised when the related revenue is recognised. To reflect this change in presentation, contract acquisition and fulfilment costs with amount of HK$16,871,000 and HK$14,611,000 are now separately presented under trade and other receivables, prepayments and deposits as at 1 January 2018 and 30 June 2018 respectively, as a result of the adoption of HKFRS 15.

A contract liability is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance. To reflect this change in presentation, contract liabilities, including certain receipts in advance, deferred revenue and customers' deposits, with amount of HK$273,170,000 and HK$313,356,000 are now separately presented under trade and other payables and accruals as at 1 January 2018 and 30 June 2018 respectively, as a result of the adoption of HKFRS 15.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Date of adoption by Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$75,700,000. The Group estimates that approximately 68% of these relate to payments for short-term and low value leases under HKFRS 16 can be exempted from inclusion of the statement of financial position and which will be recognised on a straight-line basis as an expense in profit or loss. Upon adoption of HKFRS 16, the remaining operating lease commitments will be recognised in the consolidated financial statements as lease liabilities, with corresponding right-to-use assets. However, the Group assessed that there would not be significant effect on the Group's profit and classification of cash flows.

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 this condensed consolidated 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 2017.

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 and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does 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 2017.

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

5.2 Credit risk

Compared to the year end, there was no material change in the Group's credit risk, except CERC Bonds as detailed in Note 11.

5.3 Fair value estimation

Financial instruments that are measured in the condensed consolidated statement of financial position at fair value are analysed by below 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 in 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 2018 and 31 December 2017, the carrying value of the Group's financial assets at FVOCI and FVPL approximates its fair value and fair value measurement of these financial assets is classified in level 3. The maximum exposure to credit risk is the carrying value of the financial assets at FVOCI and FVPL. None of these financial assets is either past due or impaired.

The major methods and assumptions used in estimating the fair values of financial assets at FVPL and share option are detailed in Note 9 and Note 18 respectively.

There was no transfer between categories during the period.

6 SEGMENT INFORMATION

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance. The Group after publication of last period's interim report has determined to separately report "Big Big Channel business" as a reportable segment due to its increasing importance as the third platform. During the period, the Group has also determined to merge "Channel operations" into "Programme licensing and distribution" in view of similar business to distribute television channels operated by these two segments. In addition, the Group has renamed the segments "Hong Kong digital new media business" and "Overseas pay TV operations" to "myTV SUPER" and "Overseas pay TV and TVB Anywhere" respectively. The Directors of the Company consider that the changes in the reportable segments would be useful to users of the condensed consolidated financial information. As such, the comparative figures have been adjusted to conform with the reclassification.

The Group has following reportable segments:

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas
(b)	myTV SUPER	–	operation of myTV SUPER OTT service and website portals
(c)	Big Big Channel business	–	Big Big Channel, online social media platform, and music entertainment. The online social media business is undertaken by Big Big Channel Limited, which became a subsidiary in November 2016 and was previously engaged in Hong Kong pay TV business prior to the surrender of the pay TV licence in June 2017
(d)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media operators in Mainland China, Malaysia, Singapore and other countries
(e)	Overseas pay TV and TVB Anywhere	–	provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences
(f)	Other activities	–	magazine publications, movie, property investment and other services
(g)	Corporate support	–	financing services for the Group

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, is measured differently from the profit before income tax in the condensed consolidated financial information.

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, co-production income, as well as other income from sales of magazines, management fee income, movie income, facility rental income and other service fee income.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

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

	Hong Kong TV broadcasting HK$'000	myTV SUPER HK$'000	Big Big Channel business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV and TVB Anywhere HK$'000	Other activities HK$'000	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
Six months ended 30 June 2018									
Revenue									
External customers	1,435,088	182,344	27,215	485,188	73,079	27,671	–	–	2,230,585
Inter-segment	18,214	21,550	3,799	30,821	–	45,156	–	(119,540)	–
Total	1,453,302	203,894	31,014	516,009	73,079	72,827	–	(119,540)	2,230,585
Timing of revenue recognition									
At a point in time	1,920	1,085	2,829	64,889	34	5,071	–	–	75,828
Over time	1,433,168	181,259	24,386	420,299	73,045	22,600	–	–	2,154,757
Total revenue from external customers	1,435,088	182,344	27,215	485,188	73,079	27,671	–	–	2,230,585
Reportable segment profit before gain on disposal of investment properties	94,897	85	(19,985)	267,180	(1,488)	26,625	(68,555)	–	298,759
Gain on disposal of investment properties	–	–	–	–	–	27,058	–	–	27,058
Reportable segment profit	94,897	85	(19,985)	267,180	(1,488)	53,683	(68,555)	–	325,817
Interest income	76,738	9	5	1,475	31	31,870	–	–	110,128
Finance costs	–	–	–	–	–	–	(68,555)	–	(68,555)
Depreciation and amortisation	(146,137)	(45,386)	(2,463)	(6,321)	(2,631)	(2,961)	–	–	(205,899)
Additions to non-current assets*	132,486	65,731	9,933	9,072	4,514	3,940	–	–	225,676
Six months ended 30 June 2017 (restated)									
Revenue									
External customers	1,312,093	118,975	22,551	460,723	74,875	31,952	–	–	2,021,169
Inter-segment	28,105	2,963	15,129	36,031	–	1,588	–	(83,816)	–
Total	1,340,198	121,938	37,680	496,754	74,875	33,540	–	(83,816)	2,021,169
Timing of revenue recognition									
At a point in time	3,638	314	1,340	8,631	–	5,145	–	–	19,068
Over time	1,308,455	118,661	21,211	452,092	74,875	26,807	–	–	2,002,101
Total revenue from external customers	1,312,093	118,975	22,551	460,723	74,875	31,952	–	–	2,021,169
Reportable segment profit before gain on disposal of investment properties	81,681	(59,557)	29,537	253,383	(28,392)	817	(78,918)	–	198,551
Gain on disposal of investment properties	–	–	–	–	–	18,483	–	–	18,483
Reportable segment profit	81,681	(59,557)	29,537	253,383	(28,392)	19,300	(78,918)	–	217,034
Interest income	37,503	62	221	2,210	137	2,941	–	–	43,074
Finance costs	–	–	–	–	–	–	(78,918)	–	(78,918)
Depreciation and amortisation	(140,499)	(32,441)	(1,434)	(5,256)	(2,493)	(2,536)	–	–	(184,659)
Additions to non-current assets*	150,961	88,420	8,042	5,145	7,711	1,556	–	–	261,835

* Non-current assets comprise property, plant and equipment, investment properties, land use rights and intangible assets (including prepayments 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	
	2018	2017
	HK$'000	HK$'000
Reportable segment profit	**325,817**	217,034
Share of (losses)/profits of joint ventures	**(49,589)**	1,011
Share of profits/(losses) of associates	**139**	(1,589)
Profit before income tax	**276,367**	216,456

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**1,476,401**	1,391,008
Malaysia and Singapore	**234,858**	260,662
Mainland China	**404,250**	242,613
USA and Canada	**63,262**	62,378
Australia	**15,439**	22,286
Vietnam	**12,817**	23,726
Europe	**4,968**	4,362
Other territories	**18,590**	14,134
	2,230,585	2,021,169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 CAPITAL EXPENDITURE

	Intangible assets HK$'000	Property, plant and equipment HK$'000	Investment properties HK$'000	Land use rights HK$'000
As at 1 January 2017	59,303	1,797,307	100,972	54,550
Additions	16,064	243,997	185	–
Disposals	–	(652)	–	–
Transfer to non-current asset held for sale (Note 22)	–	–	(58,716)	–
Transfer from investment properties to property, plant and equipment	–	13,054	(13,054)	–
Depreciation and amortisation (Note 17)	(2,396)	(180,344)	(429)	(1,490)
Exchange differences	–	1,475	1,806	1,257
As at 30 June 2017	72,971	1,874,837	30,764	54,317
As at 1 January 2018	85,587	1,874,535	31,106	54,301
Additions	32,469	170,878	–	–
Disposals	–	(415)	–	–
Depreciation and amortisation (Note 17)	(3,815)	(200,053)	(436)	(1,595)
Exchange differences	(69)	(338)	(497)	(366)
As at 30 June 2018	**114,172**	**1,844,607**	**30,173**	**52,340**

8 INTERESTS IN JOINT VENTURES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Non-current		
Investment cost	**274,131**	273,163
Less: accumulated share of losses	**(88,946)**	(38,971)
	185,185	234,192
Funds advanced to joint ventures	**30,757**	42,431
Loan to a joint venture	**523,100**	521,083
	739,042	797,706
Less: share of losses in excess of investment costs	**(28,164)**	(28,568)
	710,878	769,138
Current		
Interest receivable from a joint venture	**58,301**	27,068
	769,179	796,206

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

On 7 May 2018, the Group subscribed a US$83,000,000 7.5% secured redeemable convertible bonds due 2020 (extendable to 2021 by mutual agreement) issued by SMI Holdings Group Limited ("SMI"), a company listed in Hong Kong. The Company may exercise its right to convert all or any part of the principal amount of the convertible bonds into new shares of SMI at any time during the period from and including the date falling six months from 7 May 2018 up to the close of the business on the maturity date of the convertible bonds at the initial conversion price of HK$3.85 per conversion share. None of them was converted up to 30 June 2018. During the period, the fair value adjustment to convertible bonds recognised under "Other gains, net" amounted to HK$3,082,000 (2017: Nil).

As at 30 June 2018, the fair value of convertible bonds was based on the valuation performed by an independent firm of professionally qualified valuers and calculated using the Black-Scholes Partial Differential Equation Model. The following table lists the inputs to the model used:

Stock closing price:	HK$2.60
Exercise price:	HK$3.85
Expected volatility:	35.86%
Expected dividend yield:	1.59%
Risk-free interest rate:	1.98%-2.54%

10 FINANCIAL ASSETS AT AMORTISED COST/HELD-TO-MATURITY FINANCIAL ASSETS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Non-current		
Bond securities at amortised costs:		
Unlisted	**401,375**	220,987
Listed in Hong Kong	**832,030**	279,328
Listed in other territories	**1,142,719**	211,514
	2,376,124	711,829
Current		
Bond securities at amortised costs:		
Listed in Hong Kong	**–**	62,737
	2,376,124	774,566
Presentation in the condensed consolidated statement of financial position:		
Financial assets at amortised cost	**2,376,124**	–
Held-to-maturity financial assets	**–**	774,566
	2,376,124	774,566

The bond securities carry a weighted average yield to maturity of 5.67% (31 December 2017: 6.03%) per annum and the maturity dates are ranging from 28 July 2019 to 1 October 2027. The largest fixed income securities from the same issuer within the portfolio, which is made up by a total of 44 (31 December 2017: 18) issuers of fixed income securities, represented approximately 2.4% (31 December 2017: 1.7%) of the total assets of the Group as at 30 June 2018. They are denominated in Hong Kong dollars and US dollars. The interest received during the period from the bond securities at amortised cost amounted to HK$40,947,000 (2017: HK$18,689,000).

The carrying amounts of the financial assets at amortised cost approximate their fair values. The maximum exposure to credit risk is the carrying values of the financial assets at amortised cost. Except CERC Bonds reclassified under "Other receivables, prepayments and deposits" as detailed in Note 11, none of other financial assets is either past due or impaired.

11 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Non-current		
Prepayments related to capital expenditure	**115,758**	93,429
Current		
Trade receivables from:		
Associates	**7,995**	4,322
Third parties (note a)	**1,647,389**	1,587,909
	1,655,384	1,592,231
Less: provision for impairment loss on receivables from:		
Associates	**(1,460)**	(1,455)
Third parties	**(189,027)**	(171,613)
Other receivables, prepayments and deposits (note b)	**691,723**	482,818
Contract acquisition and fulfilment costs (note c)	**14,611**	–
	2,171,231	1,901,981
	2,286,989	1,995,410

Notes:

(a) 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.

(b) The Group had purchased the CERC Bonds totalling US$12 million nominal amount (2018 Bond US$6 million and 2019 Bond US$6 million). On 11 May 2018, CERC had defaulted the principal payment of the 2018 CERC Bond due in May 2018 and as a result, this triggered a cross default for the 2019 CERC Bond. The balance was reclassified under "Other receivables, prepayments and deposits" as at 30 June 2018. CERC is a state-controlled oil and gas trading, logistics and distribution and supply services provider in China. According to CERC's announcement dated 25 May 2018, CERC plans to divest certain of its assets in order to resolve its current cash flow difficulties. Management has reviewed a report ("Report") dated 17 August 2018 and prepared by FTI Consulting (Hong Kong) Limited, the financial advisor appointed by CERC, in relation to, among other things, a review of the financial condition of CERC. Based on the review of the Report, management believes that CERC has both the intention and ability to settle the outstanding balances, therefore it is considered that no impairment is required to be made in the condensed consolidation financial information. The Group is closely monitoring the situation and has communicated with the trustee in relation to the recovery of the CERC Bonds.

(c) As a result of initial application of HKFRS 15, contract acquisition and fulfilment costs as at 30 June 2018 are separately presented (see Note 3(a)(iv)).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

At 30 June 2018 and 31 December 2017, the ageing of trade receivables based on invoice date including trading balances due from associates was as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Current	**527,086**	542,528
1-2 months	**278,308**	237,924
2-3 months	**165,221**	154,833
3-4 months	**130,457**	151,347
4-5 months	**74,811**	124,564
Over 5 months	**479,501**	381,035
	1,655,384	1,592,231

12 RESTRICTED CASH

At 31 December 2017, restricted cash included cash set aside for the share buy-back offer, as detailed in the Company's announcement dated 24 January 2017. During the period, such amount was released from restricted cash after the Company's announcement dated 23 January 2018 on the decision not to proceed with the share buy-back offer.

13 SHARE CAPITAL

	Number of shares (thousands)	**Share capital HK$'000**
Ordinary shares, issued and fully paid:		
At 1 January 2017 and 30 June 2017 and 1 January 2018 and 30 June 2018	**438,000**	**664,044**

14 OTHER RESERVES

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Translation reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
Balance at 1 January 2017	70,000	–	39,513	(106,460)	–	3,053
Currency translation differences:						
– Group	–	–	–	64,369	–	64,369
– Joint ventures	–	–	–	(539)	–	(539)
Share of other comprehensive income of an associate	–	–	–	44	–	44
Transferred from retained earnings	–	–	64,498	–	–	64,498
Change in ownership interests in subsidiaries without change of control	–	(3,741)	–	–	–	(3,741)
Balance at 30 June 2017	70,000	(3,741)	104,011	(42,586)	–	127,684
Balance at 1 January 2018	70,000	(3,741)	104,011	(21,993)	–	148,277
Currency translation differences:						
– Group	–	–	–	(10,211)	–	(10,211)
– Joint ventures	–	–	–	18	–	18
Share of other comprehensive income of an associate	–	–	–	(1,405)	–	(1,405)
Share-based payments	–	–	–	–	9,086	9,086
Transferred from retained earnings	–	–	8,182	–	–	8,182
Balance at 30 June 2018	**70,000**	**(3,741)**	**112,193**	**(33,591)**	**9,086**	**153,947**

15 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade payables to third parties:		
Associates	**130**	–
Third parties	**154,655**	134,264
	154,785	134,264
Contract liabilities (note)	**313,356**	–
Receipts in advance, deferred income and customers' deposits	–	283,029
Provision for employee benefits and other expenses	**116,158**	155,825
Accruals and other payables	**281,906**	298,549
	866,205	871,667

15 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

Note:

As a result of initial application of HKFRS 15, contract liabilities as at 30 June 2018 are separately presented (see Note 3(a)(iv)).

At 30 June 2018 and 31 December 2017, the ageing of trade payables based on invoice date including balances due to associates was as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Current	**81,249**	78,050
1-2 months	**45,791**	26,978
2-3 months	**6,050**	8,805
3-4 months	**1,898**	3,443
4-5 months	**345**	921
Over 5 months	**19,452**	16,067
	154,785	134,264

16 BORROWINGS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Non-current		
Notes, unsecured (note)	**3,301,600**	3,814,406
Current		
Bank overdraft	**35,555**	–
	3,337,155	3,814,406

At 30 June 2018 and 31 December 2017, borrowings were repayable as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 year	**35,555**	–
Between 2 and 5 years	**3,301,600**	3,814,406
	3,337,155	3,814,406

Note:

On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("Notes"). During the period, the Company purchased US$67,710,000 nominal amount of the Notes issued by TVB Finance Limited at a price of US$67,365,000.

17 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	
	2018	2017
	HK$'000	HK$'000
Depreciation (Note 7)	**200,489**	180,773
Amortisation of land use rights (Note 7)	**1,595**	1,490
Amortisation of intangible assets (Note 7)	**3,815**	2,396
Cost of programmes and film rights	**897,099**	842,432
Cost of other stocks	**13,297**	13,037
Net exchange losses/(gains)	**902**	(6,908)

18 EMPLOYEE SHARE-BASED PAYMENTS

The establishment of the Share Option Scheme of the Company and Subsidiary Share Option Scheme of its subsidiary, Big Big Channel Holdings Limited ("Big Big Channel Holdings") were approved by shareholders at the 2017 annual general meeting. The share option schemes are designed to provide long-term incentives for scheme participants (including a director, an employee of the Company/Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers providing service or goods to the Company/Big Big Channel Holdings or its affiliate; a customer or joint venture partner of the Company/Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of the Company/Big Big Channel Holdings or its affiliate, any other class of participants which the board of the Company/Big Big Channel Holdings or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of the Company/Big Big Channel Holdings) to deliver long-term shareholder returns. Under the share option schemes, unless otherwise determined by the board of the Company/Big Big Channel Holdings at its sole discretion, there is no minimum period for which an option must be held and there is no performance target which must be satisfied or achieved before such an option can be exercised under the terms of the share option schemes.

The share option schemes shall commence on the Adoption Date (i.e. 29 June 2017) and shall continue in force until the date that falls on the expiry of 10 years after the Adoption Date or the date on which the shareholders or the board of the Company/Big Big Channel Holdings passing a resolution resolving to early terminate the Scheme, whichever is earlier.

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme since the Adoption Date and during the period.

18 EMPLOYEE SHARE-BASED PAYMENTS (continued)

As at 30 June 2018, the following share options were offered to grantees of the Company under the Share Option Scheme:

Date of grant	Number of share options	Exercise price (HK$)
22 March 2018	17,000,000	25.84

The validity period of the options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive). The vesting period of the share options is as follows:

(i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);

(ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);

(iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);

(iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and

(v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

Set out below are summaries of options granted under the Share Option Scheme:

	30 June 2018		31 December 2017	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**N/A**	**–**	N/A	–
Granted during the period/year	**HK$25.84**	**17,000,000**	N/A	–
As at 30 June/31 December	**HK$25.84**	**17,000,000**	N/A	–
Vested and exercisable at 30 June/ 31 December	**N/A**	**–**	N/A	–

Share options outstanding at 30 June 2018 have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	**Share options 30 June 2018**	Share options 31 December 2017
22 March 2018	22 March 2023	HK$25.84	**17,000,000**	–
Weighted average remaining contractual life of options outstanding at end of period/year			**4.72 years**	N/A

During the period, the equity-settled share-based payments relating to the Share Option Scheme recognised as an expense amounted to HK$9,086,000 (2017: Nil).

18 EMPLOYEE SHARE-BASED PAYMENTS (continued)

(a) Fair value of share options granted

The fair value of share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted respectively. The following table lists the inputs to the model used:

Exercise price:	HK$25.84
Grant date:	22 March 2018
Expiry date:	22 March 2023
Share price at grant date:	HK$25.60
Expected price volatility of the Company's shares:	26.235%
Expected dividend yield:	5.386%
Risk-free interest rate:	1.841%

19 INCOME TAX EXPENSE

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2017: 16.5%) and at the rates of taxation prevailing in the territories 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	
	2018	2017
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**19,305**	25,638
– Overseas	**21,381**	216,406
– Under/(over) provisions in prior periods	**286**	(1,311)
	40,972	240,733
Deferred income tax:		
– Origination and reversal of temporary differences	**7,959**	(197,667)
	48,931	43,066

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20 EARNINGS PER SHARE

The earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of HK$201,341,000 (2017: HK$170,180,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2018 and 2017.

During the six months ended 30 June 2018, no fully diluted earnings per share is presented as the Company did not have any potentially dilutive ordinary shares as the exercise price of the share options was higher than the average market price of the Company's shares.

During the six months ended 30 June 2017, no fully diluted earnings per share was presented as there were no potentially dilutive shares outstanding.

21 DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
2017 first interim dividend paid of HK$0.60 per ordinary share	**–**	262,800
Interim dividend, declared after the end of the reporting period, of HK$0.30 (2017: second interim dividend of HK$0.30) per ordinary share	**131,400**	131,400
	131,400	394,200

A final dividend of HK$0.30 per ordinary share and a special dividend of HK$0.70 per ordinary share for the year ended 31 December 2017 amounting to HK$131,400,000 and HK$306,600,000, respectively, were approved by shareholders on 23 May 2018 and paid on 12 June 2018.

22 NON-CURRENT ASSET HELD FOR SALE

In 2017, the Group had an intention to sell certain investment properties located in Taiwan, as such, the carrying value of such properties was reclassified as "Non-current asset held for sale". These investment properties sold with a disposal gain of HK$27,058,000 was recognised during the period.

23 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit before income tax	**276,367**	216,456
Adjustments for:		
Depreciation and amortisation	**205,899**	184,659
Non-cash share-based payments	**9,086**	–
Fair value adjustment to convertible bonds	**(3,082)**	–
Provision for impairment loss on trade receivables	**5,802**	17,551
Reversal of provision for impairment loss on trade receivables	**(12)**	(38,977)
Share of (profits)/losses of associates	**(139)**	1,589
Share of losses/(profits) of joint ventures	**49,589**	(1,011)
Gain on purchase of notes	**(2,709)**	(239)
Gain on disposal of investment properties	**(27,058)**	(18,483)
Gain on disposal of property, plant and equipment	**(594)**	(44)
Interest income	**(110,128)**	(43,074)
Finance costs	**68,555**	78,918
Exchange differences	**(10,131)**	(36,260)
	461,445	361,085
Increase in programmes, film rights and stocks	**(3,779)**	(106,330)
Increase in trade and other receivables, prepayments and deposits	**(167,209)**	(65,963)
Decrease in trade and other payables and accruals	**(1,497)**	(16,425)
Cash generated from operations	**288,960**	172,367

24 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Guarantees for banking facilities granted to an investee company	**7,769**	8,086

The Directors have assessed the fair value of the above and consider that they are not material to the Group. Therefore, no financial liability has been recognised in the condensed consolidated statement of financial position.

25 CAPITAL COMMITMENTS

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
Contracted but not provided for	**174,476**	227,277

26 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme service licence granted by the Government of the HKSAR ("Government") which runs for a period of twelve years to 30 November 2027. Under the renewed licence conditions, the Company is required to (i) make a programming and capital investment of HK$6,336 million in total for the six-year period from 2016 to 2021; (ii) provide at least 12,000 hours of local productions each year; (iii) provide an additional four hours per week of positive programmes (including current affairs programmes, documentaries, arts and culture programmes and programmes for young persons) on the Company's digital channels; (iv) provide independent local productions on an incremental basis from 20 hours per year in 2016 to 60 hours per year by 2020. In addition, the Company is granted more flexibility to schedule the broadcast of RTHK programmes and an additional 5% non-designated language allowance for the English channel. In accordance with the standard procedure, the renewed licence of the Company will be subject to a mid-term review in 2021.

27 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 2018 HK$'000	2017 HK$'000
Sales of services/goods:			
Associates			
Sales of movie script	(i)	–	1,900
Drama promotion service fee	(i)	**6,000**	–
Other related parties			
Programmes and channel licensing fees	(ii)	–	66,548
Advertising consultancy fees	(ii)	–	9,200
		6,000	77,648
Purchases of services:			
Associates			
Drama licensing fee	(iii)	**(8,235)**	–
Service fees	(iv)	–	(1,050)
		(8,235)	(1,050)

Notes:

(i) The fees were received from Shaw Brothers Pictures International Limited ("Shaw Brothers Pictures International"), an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.

(ii) The fees were received from MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), a fellow subsidiary of the non-controlling shareholder of TVB Publishing Holdings Limited and its subsidiaries ("TVBPH Group"). Following the acquisition of the remaining equity interests in TVBPH Group, MEASAT ceased to be a related party with effect from 22 May 2017.

(iii) The fee was paid to Shaw Brothers Holdings Limited, an associate of Shine Investment Limited, which is an associate of the Group.

(iv) The fees were paid to Tailor Made Production Limited, an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited which is an associate of the Group.

In 2017, a movie interest of HK$2,000,000 was transferred to Shaw Brothers Pictures International and another movie investment of HK$4,000,000 was acquired from Shaw Brothers Pictures International.

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

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Key management compensation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**10,831**	10,423
Share-based payments	**2,930**	–
	13,761	10,423

(c) Fund advanced/loan to related parties

	30 June	31 December
	2018	2017
	HK$'000	HK$'000
Fund advanced to joint ventures		
Beginning of the period/year	**42,431**	49,340
Repayment of fund advanced	**(11,550)**	(7,700)
Exchange differences	**(124)**	791
End of the period/year	**30,757**	42,431
Loan to a joint venture		
Beginning of the period/year	**548,151**	–
Loan provided	**–**	520,383
Interest charged	**31,101**	26,993
Exchange differences	**2,149**	775
End of the period/year	**581,401**	548,151

28 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation. These reclassifications have no impact on the Group's total equity as at 30 June 2018, 31 December 2017 and 30 June 2017, or on the Group's profit for the six months ended 30 June 2018 and 30 June 2017.

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 28 to 60, 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 2018 and the 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2018

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Television Broadcasts Limited
電視廣播有限公司

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

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C023053

PRINTED WITH SOY INK ®