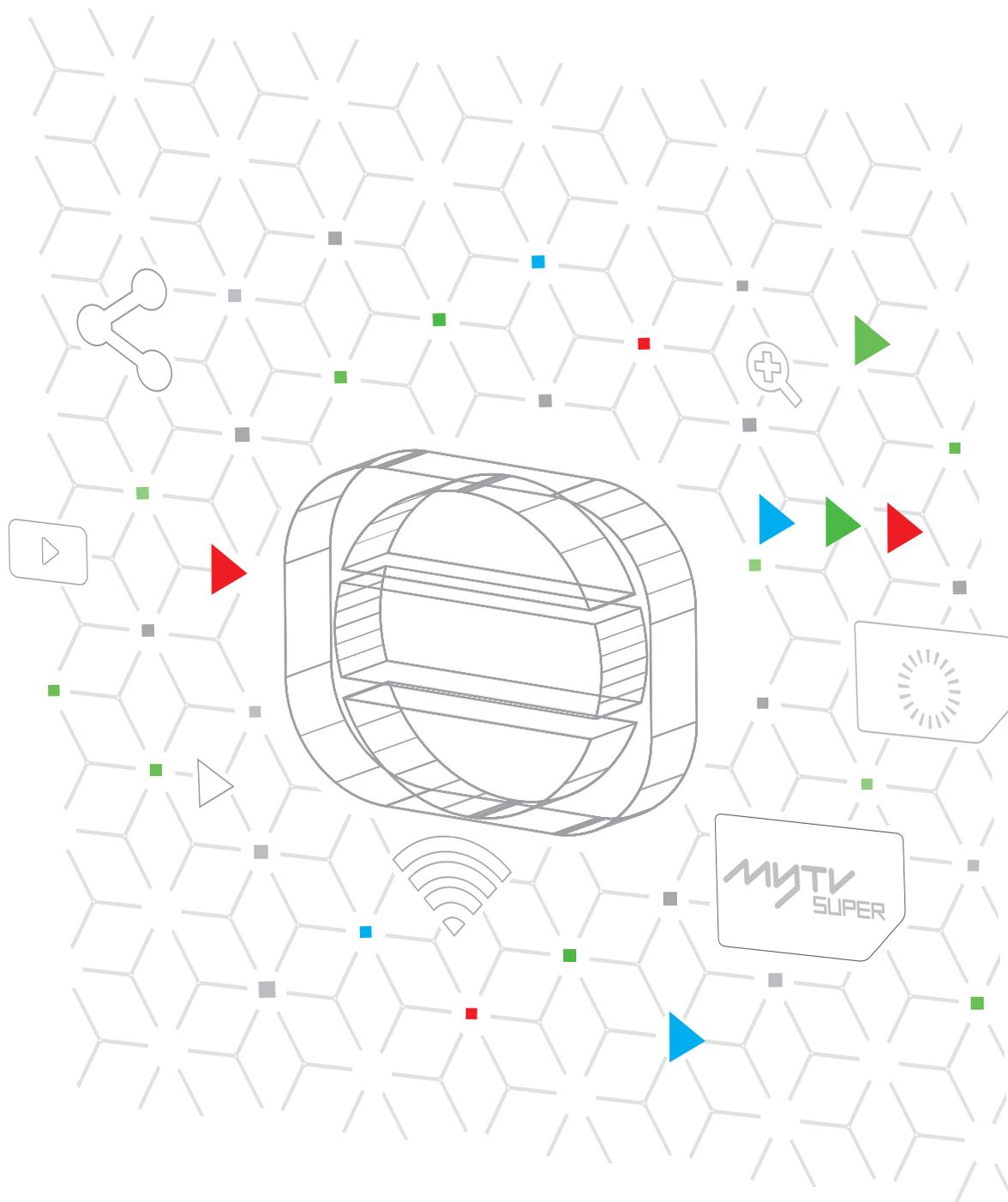


TVB 2016

Interim Report 中期報告



Television Broadcasts Limited
電視廣播有限公司

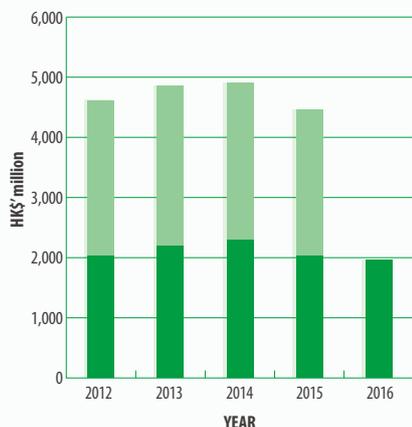
Stock Code 股份代號 : 00511

FINANCIAL HIGHLIGHTS

Revenue

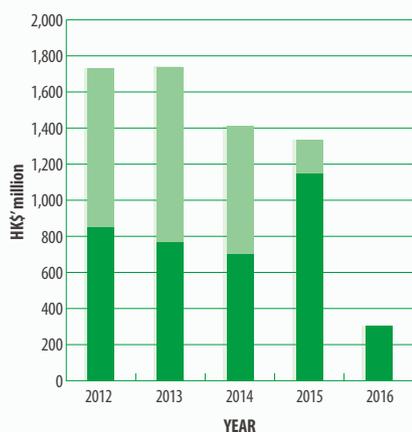
Continuing operations

■ 1st Half ■ 2nd Half



Profit Attributable to Equity Holders of the Company

■ 1st Half ■ 2nd Half



Six months ended 30 June

2016 2015 Change

Performance

Earnings per share **HK\$0.69** HK\$2.62 -74%
Interim dividend per share **HK\$0.60** HK\$0.60 -

HK\$'mil HK\$'mil

Revenue

- Hong Kong TV broadcasting	1,235	1,386	-11%
- Hong Kong digital new media business	84	72	+16%
- Programme licensing and distribution	532	483	+10%
- Overseas pay TV operations	84	93	-10%
- Channel operations	46	55	-18%
- Other activities	75	42	+78%
- Inter-segment elimination	(92)	(100)	-9%
	1,964	2,031	-3%

Total expenses* **(1,678)** (1,570) +7%
Profit attributable to equity holders **302** 1,148 -74%

30 June 2016 31 December 2015
HK\$'mil HK\$'mil

Total assets **8,345** 9,113 -8%
Total liabilities **1,033** 1,277 -19%
Total equity **7,312** 7,836 -7%
Number of issued shares **438,000,000** 438,000,000

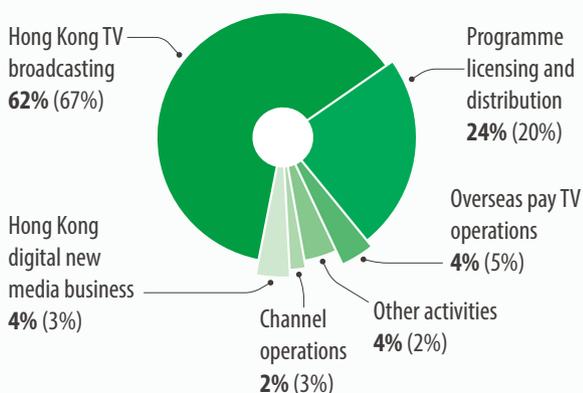
Ratios

Current ratio **7.7** 8.8
Gearing **-** 3.0%

* excluding non-recurring expenses

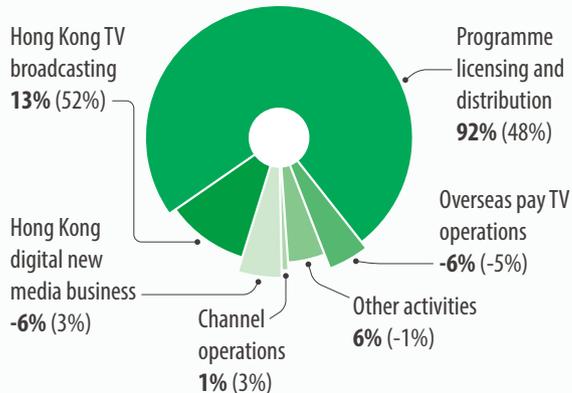
Revenue by Operating Segment

% relating to 1st half of 2015 are shown in brackets



Reportable Segment Profit by Operating Segment

% relating to 1st half of 2015 are shown in brackets



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dr. Charles CHAN Kwok Keung

EXECUTIVE DIRECTORS

Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager

NON-EXECUTIVE DIRECTORS

Mona FONG
Anthony LEE Hsien Pin
CHEN Wen Chi
Thomas HUI To

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
CHEN Wen Chi
Thomas HUI To

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

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 ADVISER

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODES

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

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

EX-DIVIDEND DATE OF 2016 INTERIM DIVIDEND

19 September 2016

BOOK CLOSE PERIOD

21 September 2016 to 22 September 2016,
both days inclusive

PAYMENT OF 2016 INTERIM DIVIDEND

4 October 2016

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the 2016 interim report and condensed consolidated interim financial information of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries ("Group") for the six months ended 30 June 2016 ("Period").

RESULTS AND INTERIM DIVIDEND

During the Period, the Group's revenue decreased by 3% from HK\$2,031 million to HK\$1,964 million. Total costs rose by 7% from HK\$1,570 million to HK\$1,678 million. Profit from continuing operations for the Period was HK\$249 million, compared to a net loss of HK\$285 million in the previous period following an impairment loss of HK\$654 million in receivables from TVB Network Vision.

The Group's profit attributable to equity holders in this Period was HK\$302 million, compared to HK\$1,148 million from the previous period, which included a gain of HK\$1,396 million from the disposal of the first tranche of 53% in Liann Yee Production Co., Ltd.. Earnings per share for the Period was HK\$0.69 (2015: HK\$2.62).

For the Period, the Board has resolved to declare HK\$0.60 per share (2015: HK\$0.60) as interim dividend.

Following the disposals of its operating businesses in Taiwan and the recently announced sale of its property interest in the Neihu District of Taipei City, the Group now re-directs its focus on expanding its distribution business through digital new media and on driving growth in Mainland China.

BUSINESS AND OUTLOOK

The year 2016 remains challenging for media operators and the content distribution business in general. Our businesses have been adversely affected by tighter advertising spending budgets especially in Hong Kong, widespread content piracy, and fierce competition from online entertainment alternatives as a result of globalisation.

Thanks to the support of our loyal audience, retail partners, content providers and two major internet service providers, we successfully rolled out our new over-the-top ("OTT") service, myTV SUPER, in Hong Kong on 18 April 2016. This service caters for our home-based subscribers, providing them with TVB's own productions and acquired programmes. During the initial phase, we are focusing on marketing, building content and migrating existing subscribers of the pay TV service, TVB Network Vision, to this new platform. Meanwhile, we are also ramping up our mobile business. A myTV SUPER app was launched alongside the OTT service to provide identical programme offerings to Hong Kong's "on-the-go" mobile subscribers. They can now view their preferred content on any device, anytime, anywhere. I am pleased that since launch, myTV SUPER users have exceeded 610,000, 240,000 set-top boxes distributed through various channels and 370,000 active mobile app users. We are on target to achieve 1.4 million users by November 2017, our 50th anniversary.

Our vision is to build a truly global Chinese content-based platform leveraging our well-recognised TVB brand. We are planning to extend a similar OTT service to the overseas Chinese-speaking communities beyond Europe and Australia under the TVB Anywhere brand.

The global film market is experiencing phenomenal growth and the Group plans to ride the tide through its movie investments. These investments include a 29.7% interest in Hong Kong-listed Shaw Brothers Holdings, which is jointly held by China Media Capital ("CMC") and TVB, and an effective 5.1% interest in Flagship Entertainment Group, a mega movie investment platform newly formed by Warner Brothers, CMC and TVB. TVB plans to mobilise its production and talent resources through these two platforms to further participate in the development of the Chinese movie sector.

Back to our home market, the Hong Kong economy is still undergoing a phase of consolidation, which is affecting our short-term profitability and outlook. Yet, the Board is confident that the new initiatives will steer the Group in the right direction and improve its long-term prospects. We believe the move into the OTT market is a game-changing step that will help strengthen our future business amid a constantly disruptive environment.

Charles Chan Kwok Keung
Chairman

Hong Kong, 24 August 2016

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

The broadcasting business in Hong Kong continues to be our core business, accounting for approximately 62% of the Group's revenue.

TV ADVERTISING

Hong Kong retail sales plunged 10.5% year-on-year in the first six months of 2016. Such a decline has continued unabated for 16 months, the longest stretch since the 2003 SARS crisis in Hong Kong. This sustained weakness has affected the entire advertising market and total advertising spending was estimated to have fallen by 20% in the first half of 2016.

Thanks to TVB's leading position in the TV market with its extensive audience reach, our advertising revenue was less affected by the downward trend as compared to other media. Our revenue in terrestrial TV broadcasting declined by 11% from the same period last year.

Catering to the requirements of our value-oriented advertisers, we created affordable integrated advertising packages, leveraging all of our five channels and covering the advertising-production costs. The lead-up to the Rio 2016 Olympic Games also enabled the Company to gain extra business from advertisers who wished to run advertising campaigns in association with the world's largest sporting event.

Milk powder category remained our top advertising revenue contributor and the spending was stable while the travel agents category continued to record double-digit growth. The categories that experienced the most notable advertising spending decrease were skin care and supermarkets, which declined 27% and 36%, respectively.

TERRESTRIAL TV CHANNELS

ViuTV (under the PCCW group) entered the Hong Kong free-to-air TV market during the Period. Another operator Fantastic TV (under the i-Cable group) is anticipated to start operation latest by May 2017. We are monitoring developments in this area closely in order to fine-tune our programming strategies.

TVB rearranged its channel offerings to maximise the use of its allocated free-to-air spectrum. A strategic decision was made to allocate more broadcasting spectrum to Jade (Channel 81), the Company's flagship channel, to further enhance its picture quality. Jade continues to offer a wide range of self-produced dramas and variety shows during prime time. Meanwhile, HD Jade has been renamed J5 (Channel 85) to showcase itself as a standalone channel and the evening simulcast arrangement with Jade has ceased. J5 now broadcasts wealth and knowledge-based programmes complemented by acquired documentaries, drama series, movies, and variety shows. In addition, evening horse-racing coverage and the broadcast of Mark Six draws were successfully introduced on J2 (Channel 82) to broaden the viewer base.

TVB maintains leadership in the free TV market with an average audience share¹ of TVB's terrestrial TV channels² against total TV channels in Hong Kong, which include free and pay TV channels, during weekday prime time³ of 83% (2015: 82%).

Penetration rate of digital terrestrial TV among Hong Kong households edged up to 94% in June 2016. As agreed with the Hong Kong Government, the switch-off of analogue broadcasting has been extended to 2020.

¹ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, all pay TV channels and other TV channels capable of being received in Hong Kong, such as the satellite channels.

² TVB's terrestrial TV channels comprise Jade, J2, iNews, Pearl and J5.

³ TVB terrestrial TV weekday prime time runs from 7 p.m. to 12 a.m., Mondays to Fridays.

JADE CHANNEL

To address the needs of an increasingly demanding audience, Jade continued to broadcast a wide range of dramas and variety shows during the Period. We began noticing an improvement in the overall TV ratings of the channel, especially during weekend prime time, after we adopted a new policy of broadcasting dramas for all nights of the week.

Comedy *Short End Of the Stick*, starring veteran actors Wayne Lai Yiu Cheung, Edwin Siu Ching Nam, Power Chan Kwok Pong, and Raymond Cho Wing Lim, portrayed the lives and struggles of eunuchs after the fall of the Qing dynasty. The serial was the top-rated drama of the year so far, achieving an average consolidated rating⁴ of 30.5 TVRs (a TV rating of 28.3 TVRs, an online live rating of 0.2 TVR and an online catch-up rating of 1.9 TVRs).

Another comedy – the 25-episode *My Dangerous Mafia Retirement Plan* – also received positive reviews throughout its broadcast. The audience welcomed the return of experienced actors Kent Cheng Jut Si and Tommy Wong Kwong Leung as well as a strong script with memorable quotes for their characters.

Several other innovative dramas also achieved critical acclaim from viewers, many of whom left favourable reviews on social media platforms. *The Executioner* explored the meaning of life and death through the story of an executioner played by Kenny Wong Tak Pun and a midwife portrayed by Maggie Shiu Mei Ki. Action-thriller *Over Run Over* centred on the butterfly effect triggered by a female police officer who travelled back in time to prevent her father's death. Viewers also took to the comical traffic policeman character played by Benjamin Yuen Wai Ho in *Speed Of Life*.

The popular half-hour situation comedy *Come Home Love: Dinner at 8* continued this season at the 8:00 p.m. time slot and set its story in a television station for the first time. Teresa Mo Shun Kwan and Wayne Lai Yiu Cheung took the leading roles in this series, garnering commendable ratings for the show.

New enrichment programmes helped attract more viewers to the 10:30 p.m. time slot. Introducing the latest chic and scenic attractions in Kansai, Japan, travelogue *Kansai Raider* was named the top-rated 10:30 p.m. thematic programme so far this year. Reality show *The Treadmill Runner* also stirred much discussion among local parents.

Other successful weekend titles during this Period included *Sunday Stage Fight* and *Eat La Men*, both of which demonstrated the creativity and diversity of our production team.

During the run-up to the Olympics, a number of short programmes showcasing the background of the Games and the athletes helped warm up our audience for this world event.

J2 CHANNEL

Self-produced programmes targeting younger viewers remain J2's key attraction, with the audience continuing to tune in to the channel's long-running talk shows *Big Boys Club* and *All Things Girl*. Travelogues *Tony's Indian Colors*, *Fun Abroad*, and *Backpack America* all scored notable production successes, while *Horse Racing Day* attracted a steady viewership.

⁴ Consolidated rating is defined as the summation of TV rating⁵, online live rating⁶ and online catch-up rating⁷.

⁵ TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2016, the total TV population comprises 6,491,000 viewers, and therefore, 1 TVR represents 64,910 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.

⁶ Online live rating is defined as an aggregate live rating of web and mobile apps platforms.

⁷ Online catch-up rating is defined as an aggregate catch-up rating of web and mobile apps platforms. Data of online live rating and online catch-up rating are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,910 viewers.

REVIEW OF OPERATIONS

PEARL CHANNEL

Pearl continues to deliver quality English-language programming to our audience. Disney mega-hit *Frozen* made its premiere on Hong Kong free TV and ranked top among the English movies carried by the channel thus far this year. A collection of the 20 best episodes from the past seasons of American science fiction series *The X-Files* were telecast before the airing of the latest 10th season, making it one of the most popular drama titles during the Period.

The Masters of Hong Kong 2016, held in February, entertained our audience and further promoted equestrianism. Many viewers also tuned in to the live telecast of the world's most prestigious film-award event, *The Oscars*®, on 29 February 2016 when Leonardo DiCaprio scored his first Academy Award as Best Actor.

High-quality health and nature documentaries continued to attract good ratings from our premium Pearl audience. *Well Being: Trust Me I'm a Doctor*, *Loving Nature*, and *Loving Earth* were the most watched titles in the Period.

INEWS CHANNEL AND NEWS PROGRAMMES

TVB News endeavours to offer the most up-to-date, accurate and comprehensive local and international news stories to our audience. During the Period, *Good Morning Hong Kong* and *Sunday Good Morning Hong Kong* were telecast half an hour earlier than their previous time slots to better fit viewers' schedule. We were pleased to note that this change led to a sizeable increase in the average viewing time of the programmes.

In addition to news reporting, thematic productions such as *Global Views* and *International News Files* provided our audience with history and political information in a light-hearted manner.

A third instalment of the popular in-house-produced news segment *Big Big World III* continued to attract a high viewership, with the production team covering places such as Ethiopia, Vladivostok in Russia, and Catalonia in Spain.

J5 CHANNEL

J5 has been positioned as a financial channel since its launch on 22 February 2016. Nevertheless, the channel also telecast acquired documentaries, dramas, movies, and variety programmes to provide high-quality content to viewers with different interests. A series of station-produced financial programmes such as *Property Market*, *Economic GPS*, *Property Magazine*, *Road to Wealth*, and *Insiders Tips* attained good ratings. Lifestyle programmes such as *Nice Wheels* and *The CEO Diner*, together with acquired variety shows *China Star* and *Love Journey*, helped the channel cultivate a core group of viewers.

OTHER TVB-PRODUCED CHANNELS

TVB produces a bundle of non-terrestrial TV channels for TVB Network Vision – its pay TV platform – and myTV SUPER, its newly launched OTT platform. The 14 thematic channels include Asian Select, TVB Classic, Classic Movies, Jade Catch Up, Food, Sports, Entertainment News, and TVBN2.

Since April 2016, premium titles have been strategically arranged for broadcast on the Japanese Drama, Korean Drama, and Chinese Drama channels to strengthen the weekday evening line-up. Latest hits such as the big-budget Japanese drama *Moribito: Guardian of the Spirits*, the top-rated Korean drama *The Gang Doctor*, and the highly acclaimed Chinese historical drama *Legend of Mi Yue* were carried. In addition to the drama offerings, Asian Variety assembled the most sought-after shows including *I am a Singer (IV)* hosted by Hacken Lee and *Love Journey (II)* featuring Julian Cheung and Anita Yuen.

The Group launched two new channels, namely Travel and TVB Radio, for myTV SUPER in April and June 2016, respectively, to provide unparalleled audio and viewing enjoyment to viewers of all ages.

HONG KONG DIGITAL NEW MEDIA BUSINESS

The brand-new OTT platform, myTV SUPER, was launched in April to complement TVB's existing terrestrial broadcasting and to extend the current online distribution operations in Hong Kong, marking a giant leap forward in the Group's new media business.

The new service is a milestone in the provision of OTT service to home and mobile subscribers in Hong Kong because of three unique selling propositions: first, myTV SUPER is the largest offering of locally produced content, consisting of more than 11,000 hours of programmes from TVB's library and catch-up of current offerings in addition to many exclusive first-run local dramas and variety programmes; second, the service offers a vast selection of popular Asian dramas from Japan, Korea, Mainland China, and Taiwan; third, it is the only broadcasting service in the region that offers all of TVB's five free-to-air and 14 branded thematic TV channels under one single platform. To facilitate consumer viewing convenience, myTV SUPER incorporates a three-hour instant rewind capability into all TVB-branded linear TV channels.

In addition to the 19 TVB channels, we are also working with third party content providers like Disney, RTL CBS, AXN, Sony, Animax, beIN Sports, Mei Ah Movie etc.. More than 40 channels and video-on-demand ("VOD") content totalling 19,000 hours from TVB and acquired programmes are offered to our subscribers.

To mark myTV SUPER's official launch on 18 April 2016, an extravagant display of content offerings was telecast live in the previous evening during prime time on Jade. An inaugural show, *My Love, myTV SUPER*, showcased the unrivalled strength of TVB's productions and acquired programmes.

Subscriber take-up of myTV SUPER has progressed very well and in line with our predictions. Since launch, the number of users has exceeded 610,000 (240,000 set-top boxes; 370,000 active mobile app users). myTV SUPER is now a leading OTT platform in Hong Kong, and is expected to achieve 1.4 million users by November 2017, the Company's 50th anniversary.

To support such an extensive offering of online video service, the core arm of our digital media platform managed by TVB.com has built a powerful content delivery network by working closely with major internet service providers in Hong Kong. We aim to lead the OTT market in terms of online video streaming capacity, quality, and stability.

During the Rio 2016 Olympic Games, myTV SUPER achieved a remarkable feat by offering more than 2,000 hours of Olympic events via live streaming and VOD. This was the first time in the history of Olympic Games that so much live and VOD content were made available at high-definition (HD) quality in Hong Kong, including over 100 hours in 4K.

With the scale and pace of myTV SUPER's development, we are confident that TVB will achieve a leading position in the online video space in Hong Kong.

OTHER HONG KONG OPERATIONS INVESTMENT IN THE MOVIE BUSINESS

Shaw Brothers Holdings

TVB has partnered with China Media Capital ("CMC") to take up a 29.7% equity interest in Shaw Brothers Holdings (stock code: 00953). Formerly known as Meike International Holdings, the company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and is engaged in, inter-alia, movie and entertainment related businesses. A number of new movie titles are being produced under this platform.

Flagship Entertainment Group

Together with CMC, TVB has co-invested in Flagship Entertainment Group with an effective 5.1% interest. Launched in March 2016, Flagship Entertainment Group is a new Hong Kong-based movie powerhouse that counts Warner Brothers Entertainment and CMC among its shareholders. Flagship Entertainment Group was in preparation for its business during the Period.

REVIEW OF OPERATIONS

Shaw Brothers Pictures

Shaw Brothers Pictures, a wholly-owned subsidiary of the Company, released action-comedy flick *From Vegas to Macau III* during Chinese New Year in February 2016. Two other co-produced movies – *Girl of the Big House* and *Line Walker* – were premiered on 4 August and 11 August 2016, respectively. After these releases, it is anticipated that further new movie production shall be undertaken under the Shaw Brothers Holdings platform.

INVESTMENT IN HONG KONG PAY TV PLATFORM

TVB Network Vision subscribers are gradually being migrated to the newly launched service of myTV SUPER. TVB Network Vision's management is carefully reviewing a plan to integrate the two platforms.

MUSIC ENTERTAINMENT

During the Period, Voice Entertainment expanded its digital music business frontiers into Mainland China, Malaysia, and Singapore. Riding on the popularity of TVB drama series among the Chinese communities, music streaming to the Greater China region has increased and contributed to a rise in revenue.

PUBLICATION

Sustained sluggishness in the Hong Kong retail sector has taken the most severe toll on magazine publishing with a noticeable number of business closures. Advertising revenue for magazines in Hong Kong dropped approximately 41% year-on-year in the first half of 2016.

Despite this poor environment, our diversification of the magazine-publishing business into event management and integrated video production services has helped enhance our income sources.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION (INCLUDING CHINA OPERATIONS)

Total revenue from programme licensing and distribution comprising income from the distribution of TVB programmes through telecast, video, and new media outside of Hong Kong increased by 10% from HK\$483 million to HK\$532 million during the Period. The increase was mainly due to the recoupment of licensing revenue after settlement of the dispute with a major online operator in Mainland China.

The Malaysia and Singapore economies, two of our key traditional markets, have remained stagnant and many media operators there have tightened their programme acquisition budgets. Although the free viewing of programmes on mobile platforms has become a global trend particularly among younger viewers, we are pleased to note that TVB content remains in demand in these markets. During the Period, we successfully renewed a four-year contract with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") to supply programmes to its Astro platforms. Under the prevailing market conditions, we agreed to vary our business model to encompass both licence fee and shared subscription revenue. To attract new subscribers, the Company has developed a TVB channel package called "Jade Pack" especially for the Malaysian audience amid continuous efforts in promotion and content enrichment. TVB, together with MEASAT and a local video licensee in Malaysia, is also developing a new media platform through the use of apps and set-top boxes. Our primary objective is to provide a convenient online platform with new content to draw even more subscribers.

The licensing business with our Singapore partner, StarHub Cable Vision Limited ("StarHub"), remained stable. Similar to the situation in Malaysia, TVB is the key Chinese-programme content supplier for StarHub's subscribers. We are monitoring the consumption pattern of the Singapore audience as part of a strategy to gradually extend our business from conventional TV to digital new media platform.

In Vietnam, our drama channel on the country's largest cable network, Saigontourist Cable Television Company Limited, attained both higher ratings and advertising income. The strategy of broadcasting TVB dramas in Vietnam on the same day as they are telecast in Hong Kong has been working well, resulting in both audience and advertisers growth. Having cemented our channel business in Vietnam, TVB has started to build our VOD service and is about to seal major deals with local operators. In Cambodia, TVB has signed a multi-year contract with a local terrestrial TV station, PNN, for a daily two-hour broadcast time-belt, starting from April 2016.

上海翡翠東方傳播有限公司 ("TVBC"), a joint venture between TVB, CMC, Shanghai Media Group, and Gravity Corporation, continues to operate TVB's businesses in Mainland China. Due to programming cutbacks by satellite TV stations and stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") on imported dramas, the telecast licensing business on a nationwide basis remained unsatisfactory. However, revenue from the Guangdong region was fairly steady due to the stable demand for Cantonese dramas.

Demand for VOD contents on the Internet has continued to grow. TVBC has renewed its content licensing contract for three years with Youku Tudou, which has been an important online distribution platform of TVB programmes in Mainland China. TVBC has also signed distribution agreements with other major new media players, such as BesTV through IPTV, Tencent, Whaley, and MangoTV. Through these platforms, the distribution of TVB programmes in Mainland China can be substantially enhanced.

OVERSEAS DISTRIBUTION

PAY TV OPERATIONS

Our overseas distribution businesses in North America (USA), Europe and Australia operate under a pay TV business model, adopting satellite delivery and OTT technology. Illegal OTT set-top boxes and pirated services continue to affect our business, and the combined revenue from these platforms fell by about 10% to HK\$84 million during the Period. But, with intensive anti-piracy actions across the globe, some recent successes have been achieved. Notably, subscribers under TVB Anywhere OTT service in Europe has grown by 31%, since product launch in November 2014.

Leveraging the positive launch momentum of myTV SUPER in Hong Kong, we shall be extending an enhanced TVB Anywhere OTT service, to reach out to the global Chinese speaking communities in the second half of 2016. This new service will first be launched in Canada this September.

CHANNEL OPERATIONS

Total revenue for TVB8 and Xing He channels dropped by 18% to HK\$46 million during the Period which can be attributed to the stagnant Malaysian economy and the depreciation of the Ringgit. Nonetheless, we completed an upgrade of these two channels to HD format, which was well received by our subscribers.

FINANCIAL REVIEW

OPERATING RESULTS FOR THE PERIOD

Continuing operations

For the Period, the Group's continuing operations comprised Hong Kong TV broadcasting, Hong Kong digital new media, programme licensing and distribution, overseas pay TV operations, channel operations and other activities.

The Group recorded a revenue under continuing operations of HK\$1,964 million (2015: HK\$2,031 million), a decrease of 3%. Cost of sales amounted to HK\$961 million (2015: HK\$904 million), an increase of 6%. As a result, gross profit amounted to HK\$1,002 million (2015: HK\$1,126 million), a decrease of 11%. The gross profit percentage stood at 51% (2015: 55%).

Overall, revenue from the Hong Kong businesses reported a decline. Income from Hong Kong, comprising mainly advertising income from the terrestrial TV channels decreased due to the continued weak advertising market, extended from 2015. Revenue from programme licensing and distribution, which comprised mainly of licensing revenue from Malaysia and Singapore, remained steady. After final settlement of the dispute with a major online operator in Mainland China, a licence revenue of HK\$82 million was booked during the Period.

REVIEW OF OPERATIONS

Cost of sales increased from HK\$904 million to HK\$961 million, an increase of 6%. Included in cost of sales were the cost of programmes and film rights which amounted to HK\$713 million (2015: HK\$658 million), an increase of 9% which was mainly contributed by the extended broadcast of drama on Jade (Channel 81) into the weekends since May of last year.

Selling, distribution and transmission costs for the Period amounted to HK\$265 million (2015: HK\$270 million), a decrease of 2%. This decrease was attributed to a reduction in costs under TVBC due to a rationalisation of its business structure, but was offset by an increase in costs due to the launch of myTV SUPER service during the Period.

General and administrative expenses for the Period amounted to HK\$451 million (2015: HK\$396 million), an increase of 14% which was mainly due to the launch of myTV SUPER service during the Period and additional provision for impairment loss on certain overseas trade receivables.

TVB Network Vision, the Group's associate engaging in pay TV business in Hong Kong continues to operate, amid at a lower scale as its subscribers are being migrated to myTV SUPER service. As the Group continues to support the operations of TVB Network Vision, an impairment loss of HK\$15 million (2015: HK\$654 million) on related receivables was recognised during the Period.

Due to lower contribution from Hong Kong TV broadcasting this Period, a lower income tax of HK\$54 million was charged (2015: HK\$65 million), a decrease of 16%. Whilst the profits tax rate for Hong Kong remains at 16.5%, the Group's major subsidiaries operate in overseas countries whose effective rates vary from 0% to 41%.

Overall, the Group's profit attributable to equity holders for continuing operations amounted to HK\$231 million (2015: a loss of HK\$278 million).

Discontinued operations

On 10 March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") for a cash consideration of NT\$4,343 million (approximately HK\$1,021 million). A gain on disposal of HK\$78 million was taken up in the Period. Upon this disposal, the Group does not have any further interest in the Liann Yee Group. Details of this disposal were set out in Note 19(b) to the condensed consolidated financial information.

Earnings per share

Overall, the Group's profit attributable to equity holders for continuing and discontinued operations for the Period totalled HK\$302 million (2015: HK\$1,148 million), a decrease of 74%, giving a basic and dilute earnings per share from continuing and discontinued operations of HK\$0.69 (2015: HK\$2.62).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remains strong. At 30 June 2016, total equity stood at HK\$7,312 million (31 December 2015: HK\$7,836 million).

The Group had unpledged bank deposits and cash balances of HK\$2,578 million at 30 June 2016 (31 December 2015: HK\$2,817 million), a decrease of 8%. About 44% of the unpledged bank deposits and cash balances were maintained in overseas subsidiaries for their daily operations. Unpledged bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, New Taiwan dollars and Renminbi. Cash not immediately required for operations was placed as time deposits and used in purchase of bonds.

During the Period, the Group has invested in an associate holding an investment in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in movie and entertainment related businesses.

Trade receivables from third parties amounted to HK\$1,131 million (31 December 2015: HK\$1,381 million) decreased by 18% over the last year end. Seasonal variation attributable to a lower level of billing to customers in the first half of the year, when compared with the second half of the year, explained the decrease. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

Subsequent to the end of the reporting period, on 29 July 2016, the Group entered into an agreement, pursuant to which the Group agreed to dispose of Neihu building in Taiwan at a consideration of NT\$4,000 million (representing approximately HK\$961 million). This building was classified as "Non-current asset held for sale" in the condensed consolidated statement of financial position. After this disposal, the Group continues to hold certain property assets on Bade Road, Taipei which shall be disposed of in due course should suitable opportunity arises.

The Group's net current assets amounted to HK\$5,012 million (31 December 2015: HK\$5,622 million), a decrease of 11%. The current ratio, expressed as the ratio of current assets to current liabilities, was 7.7 at 30 June 2016 (31 December 2015: 8.8).

During the Period, the Group had fully repaid its bank borrowings.

At 30 June 2016, bank deposits of HK\$2 million (31 December 2015: HK\$2 million) were pledged to secure banking facilities granted to certain subsidiaries of the Group.

At 30 June 2016, the Group had capital commitments totalling HK\$183 million (31 December 2015: HK\$166 million), an increase of 10%.

FINANCIAL GUARANTEES

At 30 June 2016, there were guarantees given to banks amounting to HK\$8 million (31 December 2015: HK\$7 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

As of 30 June 2016, the Group employed a total of 4,213 full-time employees (31 December 2015: 4,221), 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.

The Group does not operate any employee share-option scheme.

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 enrol in other courses on their own initiatives.

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

The Board monitors the Company's adherence to the corporate governance practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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 set out in Appendix 10 of the Listing Rules ("Model Code"), as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

Mr. Harvey Chang Hsiao Wei, who resigned as an Alternate Director to Mr. Chen Wen Chi, a Non-executive Director of the Company on 22 April 2016, confirmed, following specific enquiries by the Company, that he had complied with the Model Code throughout the period between 1 January 2016 and 21 April 2016.

Mr. Jonathan Milton Nelson, who resigned as a Non-executive Director of the Company on 7 June 2016, confirmed, following specific enquiries by the Company, that he had complied with the Model Code throughout the period between 1 January 2016 and 6 June 2016.

Ms. Jessica Huang Pouleur who ceased to act as an Alternate Director to Mr. Jonathan Milton Nelson upon his resignation on 7 June 2016, confirmed, following specific enquiries by the Company, that she had complied with the Model Code throughout the period between 1 January 2016 and 6 June 2016.

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

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 2016, 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	-	-
Executive Directors						
Mark Lee Po On		Member	-	-	-	Member
Cheong Shin Keong		Member	-	-	-	Member
Non-executive Directors						
Mona Fong		-	-	-	-	-
Anthony Lee Hsien Pin		-	Member	-	Member	-
Chen Wen Chi		Member	-	-	-	-
Thomas Hui To		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	-

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

On 1 April 2016, Professor Caroline Wang Chia-Ling was appointed as a member of the Audit Committee; and Dr. Allan Zeman was appointed as a member of the Nomination Committee.

On 22 April 2016, Mr. Harvey Chang Hsiao Wei resigned as an Alternate Director to Mr. Chen Wen Chi, a Non-executive Director of the Company.

On 25 May 2016, each of Dr. Raymond Or Ching Fai and Mr. Mark Lee Po On, who retired at the annual general meeting of the Company held on 25 May 2016 ("2016 AGM"), was successfully re-elected as a Director at the 2016 AGM.

On 7 June 2016, Mr. Jonathan Milton Nelson resigned as a Non-executive Director of the Company. Following the resignation of Mr. Nelson, Ms. Jessica Huang Pouleur also ceased to act as an Alternate Director to Mr. Nelson on the same day.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest biographical details of the Directors of the Company in its 2015 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 22 April 2016, Mr. Mark Lee Po On was re-designated as a non-executive director/independent director of Hanwell Holdings Limited. On the same day, he was appointed as a non-executive director and independent director of Tat Seng Packing Group Limited, both of which are listed on the Singapore Stock Exchange Limited.

On 3 June 2016, Dr. William Lo Wing Yan retired as an independent non-executive director of Varitronix International Limited, which is listed on the Stock Exchange.

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 45. 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\$0.60 per share for the 438,000,000 ordinary shares in issue in respect of the Period. The interim dividend will be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 22 September 2016. The dividend warrants will be despatched to shareholders on 4 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 21 September 2016 to Thursday, 22 September 2016, 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 qualify for entitlement to the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, 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, 20 September 2016.

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

At 30 June 2016, the interests and short positions of the Directors and chief executive in the 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

Name of Director	Number of ordinary shares held					Percentage of share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Charles Chan Kwok Keung	-	-	113,888,628	-	113,888,628 ^{#(b)(e)}	26.00
Chen Wen Chi	-	113,888,628	-	-	113,888,628 ^{#(c)(e)}	26.00
Mona Fong	1,146,000	-	15,950,200 ^(d)	-	17,096,200 ^(e)	3.90
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 below under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 30 June 2016:

- (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 held through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers is an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which is controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").
- (c) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such share interest is indirectly held by his spouse, Ms. Wang Hsiueh Hong through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly holds an interest. Profit Global is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (d) These 15,950,200 shares of the Company were held by The Shaw Foundation Hong Kong Limited ("Shaw Foundation"). Shaw Holdings Inc. ("Shaw Holdings") holds 100% equity interest in Shaw Foundation. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (e) The interests held by these Directors represented long positions.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of associated corporation	Name of Director	Number of ordinary shares held					Percentage of share capital (%) ^(a)
		Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Concept Legend Limited	Mona Fong	-	-	1	-	1 ^{(b)(d)}	50.00
Wealth Founder Limited	Mona Fong	-	-	67	-	67 ^{(c)(d)}	67.00

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

At 30 June 2016:

- (a) Percentage in share capital of associated corporation was based on the total number of ordinary shares of each of the associated corporations of the Company in issue.
- (b) This one share of Concept Legend Limited (“Concept Legend”) was held by Shaw Productions Limited (“Shaw Productions”). Shaw Holdings holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (c) These 67 shares of Wealth Founder Limited were held by Concept Legend, in which Shaw Productions holds 50% equity interest. Shaw Holdings holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (d) The interests held by Ms. Mona Fong 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 interest or short position 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.

The Company and any of its associated corporations did not operate any employee share option scheme, and therefore, at no time during the Period was the Company or any of its 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.

OTHER PERSONS’ INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2016, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being interested in 5% or more in the shares and underlying shares of the Company, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Number of ordinary shares held	Percentage of 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
Li Ruigang	113,888,628 ^{#(d)(h)}	26.00
Gold Pioneer Worldwide Limited	113,888,628 ^{#(d)(h)}	26.00
CMC Holdings Ltd.	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

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 of the Company and its Associated Corporations”.

At 30 June 2016:

- (a) Percentage in share capital was based on 438,000,000 ordinary shares of the Company in issue.
- (b) Shaw Brothers was the registered shareholder of 113,888,628 shares of the Company. It is an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Charles Chan Kwok Keung (“Dr. Chan”, the Chairman of the Board) with Mr. Li Ruigang (“Mr. Li”) and Ms. Wang Hsiueh Hong (“Ms. Wang”) as the other two members.
- (c) YLH was deemed to be interested in 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is a wholly-owned subsidiary of Young Lion Acquisition Co. Limited (“YLA”), which is in turn a wholly-owned subsidiary of YLH, which is controlled by Dr. Chan, through IVH.
- (d) Mr. Li was deemed to be interested in 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 is a wholly-owned subsidiary of CMC M&E Holdings Ltd., which is in turn a wholly-owned subsidiary of CMC Holdings Limited (“CMC Holdings”). CMC Holdings is a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited which is wholly owned and controlled by Mr. Li.
- (e) Ms. Wang was deemed to be interested in 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global is controlled by Kun Chang Investment Co. Ltd. (“Kun Chang”). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Wang.
- (f) Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers are the parties of an agreement (“Agreement”) to hold the interest in the 113,888,628 shares in the Company. The Agreement is an agreement to which Section 317 of the SFO applies.
- (g) Interests were held in the capacity of investment managers.
- (h) The interests held by these persons 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 interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO.

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

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

INTERIM REPORT

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

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,692,565	1,687,364
Investment properties	7	102,147	684,309
Land use rights	7	57,902	59,948
Intangible assets	7	35,716	26,976
Interests in joint ventures		23,242	29,633
Interests in associates	8	156,241	–
Available-for-sale financial assets		47,436	47,436
Held-to-maturity financial assets	9	306,552	–
Deferred income tax assets		16,277	37,299
Loan and receivables		120,429	142,505
Prepayments	10	30,646	55,529
Total non-current assets		2,589,153	2,770,999
Current assets			
Programmes, film rights and movies		776,771	739,655
Stocks		47,785	12,449
Trade and other receivables, prepayments and deposits	10	1,714,108	1,866,517
Tax recoverable		46,806	19,642
Restricted cash		1,873	1,825
Bank deposits maturing after three months		85,112	691,387
Cash and cash equivalents		2,492,894	2,125,975
Non-current asset held for sale	19(a)	590,012	884,854
Total current assets		5,755,361	6,342,304
Total assets		8,344,514	9,113,303
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	11	664,044	664,044
Other reserves	12	13,587	(22,905)
Retained earnings		6,462,170	7,039,291
		7,139,801	7,680,430
Non-controlling interests		171,803	155,743
Total equity		7,311,604	7,836,173
LIABILITIES			
Non-current liabilities			
Borrowings		–	234,850
Deferred income tax liabilities		289,686	321,776
Total non-current liabilities		289,686	556,626

	Note	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
Current liabilities			
Trade and other payables and accruals	13	731,632	686,197
Current income tax liabilities		11,592	34,307
Total current liabilities		743,224	720,504
Total liabilities		1,032,910	1,277,130
Total equity and liabilities		8,344,514	9,113,303

The notes on pages 27 to 44 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Continuing operations			
Revenue	6	1,963,809	2,030,706
Cost of sales		(961,400)	(904,466)
Gross profit		1,002,409	1,126,240
Other revenues	14	39,510	38,563
Selling, distribution and transmission costs		(265,363)	(270,325)
General and administrative expenses		(450,836)	(395,648)
Other gains/(losses), net		313	(35,043)
Operating profit		326,033	463,787
Finance costs		(947)	(3,484)
Share of (losses)/profits of:			
Joint ventures		(3,087)	6,735
Associates		(4,126)	(32,766)
Impairment loss on loan to and amounts due from an associate		(14,575)	(654,106)
Profit/(loss) before income tax	15	303,298	(219,834)
Income tax expense	16	(54,301)	(65,005)
Profit/(loss) for the period from continuing operations		248,997	(284,839)
Discontinued operations			
Gain on disposal of a joint venture	19(b)	78,028	–
Deferred tax on disposal of a joint venture		(7,272)	–
Profit for the period from discontinued operations	19(b)	–	83,152
Tax on dividend distributed prior to completion of disposal	19(b)	–	(52,726)
Gain on disposal of discontinued operations	19(b)	–	1,395,770
		70,756	1,426,196
Profit for the period		319,753	1,141,357

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		230,970	(278,158)
– Discontinued operations		70,756	1,426,196
		301,726	1,148,038
Non-controlling interests			
– Continuing operations		18,027	(6,681)
		319,753	1,141,357
Earnings/(loss) per share (basic and diluted)			
for profit/(loss) attributable to equity holders of			
the Company during the period			
– Continuing operations	17	HK\$0.53	(HK\$0.64)
– Discontinued operations	17	HK\$0.16	HK\$3.26
		HK\$0.69	HK\$2.62

The notes on pages 27 to 44 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	319,753	1,141,357
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	30,367	53,882
Reclassification adjustment to profit or loss on disposal of a joint venture	1,311	–
Reclassification adjustment to profit or loss on disposal of subsidiaries	–	7,531
Other comprehensive income for the period, net of tax	31,678	61,413
Total comprehensive income for the period	351,431	1,202,770
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
– Continuing operations	264,615	(243,001)
– Discontinued operations	70,756	1,452,401
	335,371	1,209,400
Non-controlling interests		
– Continuing operations	16,060	(6,630)
Total comprehensive income for the period	351,431	1,202,770

The notes on pages 27 to 44 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited					Total equity HK\$'000
		Attributable to equity holders of the Company				Non- controlling interests HK\$'000	
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2015		664,044	159,241	7,702,134	8,525,419	178,927	8,704,346
Comprehensive income:							
Profit for the period		-	-	1,148,038	1,148,038	(6,681)	1,141,357
Other comprehensive income:							
Currency translation differences							
- Group		-	53,767	-	53,767	51	53,818
- Joint ventures		-	64	-	64	-	64
Reclassification adjustment to profit or loss on disposal of subsidiaries		-	7,531	-	7,531	-	7,531
Total comprehensive income, net of tax, for the period ended 30 June 2015		-	61,362	1,148,038	1,209,400	(6,630)	1,202,770
Transactions with owners:							
Transferred to legal reserve	12	-	3,882	(3,882)	-	-	-
Disposal of subsidiaries	12	-	(156,016)	156,016	-	-	-
2014 final and special dividends paid	18	-	-	(1,883,400)	(1,883,400)	-	(1,883,400)
Total contributions by and distributions to owners		-	(152,134)	(1,731,266)	(1,883,400)	-	(1,883,400)
Loss previously in reserve released to profit or loss on disposal of subsidiaries		-	1,055	-	1,055	-	1,055
Total transactions with owners		-	(151,079)	(1,731,266)	(1,882,345)	-	(1,882,345)
Balance at 30 June 2015		664,044	69,524	7,118,906	7,852,474	172,297	8,024,771
Balance at 1 January 2016		664,044	(22,905)	7,039,291	7,680,430	155,743	7,836,173
Comprehensive income:							
Profit for the period		-	-	301,726	301,726	18,027	319,753
Other comprehensive income:							
Currency translation differences							
- Group		-	31,739	-	31,739	(1,967)	29,772
- Joint ventures		-	228	-	228	-	228
- Associates		-	367	-	367	-	367
Reclassification adjustment to profit or loss on disposal of a joint venture		-	1,311	-	1,311	-	1,311
Total comprehensive income, net of tax, for the period ended 30 June 2016		-	33,645	301,726	335,371	16,060	351,431
Transactions with owners:							
Transferred to legal reserve	12	-	2,847	(2,847)	-	-	-
2015 final dividends paid	18	-	-	(876,000)	(876,000)	-	(876,000)
Total transactions with owners		-	2,847	(878,847)	(876,000)	-	(876,000)
Balance at 30 June 2016		664,044	13,587	6,462,170	7,139,801	171,803	7,311,604

The notes on pages 27 to 44 form an integral part of this condensed consolidated financial information.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Cash flows from operating activities			
Cash generated from operations	20	590,527	682,986
Interest paid		(1,020)	(3,718)
Hong Kong tax paid		(86,527)	(36,990)
Overseas tax paid		(35,863)	(63,958)
Net cash generated from operating activities		467,117	578,320
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		(127,993)	(123,089)
Purchases of intangible assets		(8,740)	–
Investments in an associate		(140,000)	–
Fund advanced to an associate		(20,000)	–
Loan repayment from a joint venture		2,966	–
Loan repayment from a former joint venture		23,647	–
Decrease/(increase) in bank deposits maturing after three months		606,275	(768,136)
Net cash inflow from disposal of subsidiaries		–	978,642
Proceeds from disposal of a joint venture		1,020,503	–
Expenses incurred on disposal of a joint venture		(55,933)	–
Purchases of held-to-maturity financial assets		(304,711)	–
Proceeds from sale of property, plant and equipment		975	539
Interest received		21,189	32,921
Net cash generated from investing activities		1,018,178	120,877
Cash flows from financing activities			
Proceeds from bank loans		–	398,960
Repayments of bank loans		(237,967)	(398,960)
Repayment of a loan due to a joint venture		–	(63,190)
Increase in restricted cash		(48)	(6)
Dividends paid to equity holders of the Company		(876,000)	(1,883,400)
Net cash used in financing activities		(1,114,015)	(1,946,596)
Net increase/(decrease) in cash and cash equivalents		371,280	(1,247,399)
Cash and cash equivalents at 1 January		2,125,975	3,195,869
Effect of foreign exchange rate changes		(4,361)	6,014
Cash and cash equivalents at 30 June		2,492,894	1,954,484

The notes on pages 27 to 44 form an integral part of this condensed consolidated 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 24 August 2016.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015 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 Board, 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 2016 has been prepared in accordance with Hong Kong Accounting Standard 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 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards.

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 2015 annual financial statements.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

New or revised standards, amendments to standards and interpretations effective for the financial year ending 31 December 2016 are not expected to have a material impact on the Group.

The Group has not early adopted new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2016. The Group is in the process of making an assessment of the likely impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application.

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

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 interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

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 2015.

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 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 2016 and 31 December 2015, the fair value measurement of the Group's available-for-sale financial assets is classified in level 3.

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 has six reportable segments as follows:

- (a) Hong Kong TV broadcasting – broadcasting of television programmes on Terrestrial TV platform, broadcasting of commercials on terrestrial and pay TV platforms and production of programmes
- (b) Hong Kong digital new media business – provision of OTT service, and provision of contents to mobile devices and website portals
- (c) Programme licensing and distribution – distribution of television programmes and channels to telecast, video and new media operators
- (d) Overseas pay TV operations – provision of pay television services to subscribers in USA, Europe and Australia
- (e) Channel operations – compilation and distribution of television channels in Mainland China, Malaysia, Singapore and other countries
- (f) Other activities – magazine publications, music entertainment, property investment and other related services

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

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

The Group's inter-segment transactions mainly consist of 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.

FINANCIAL INFORMATION

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 broadcasting HK\$'000	Hong Kong TV new media business HK\$'000	Programme digital licensing and distribution HK\$'000	Overseas pay TV operations HK\$'000	Channel operations HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Total HK\$'000
Continuing operations								
Six months ended 30 June 2016								
Revenue								
External customers	1,215,813	81,728	472,998	84,286	42,528	66,456	-	1,963,809
Inter-segment	18,898	1,828	59,233	-	2,974	8,607	(91,540)	-
Total	1,234,711	83,556	532,231	84,286	45,502	75,063	(91,540)	1,963,809
Reportable segment profit/(loss)	40,328	(18,303)	286,944	(18,299)	2,290	17,551	-	310,511
Interest income	14,011	108	2,180	24	-	1,640	-	17,963
Finance costs	-	-	-	-	-	(947)	-	(947)
Depreciation and amortisation	(126,145)	(12,391)	(3,576)	(1,902)	(395)	(10,645)	-	(155,054)
Additions to non-current assets [#]	99,121	27,090	9,432	295	6	789	-	136,733
Six months ended 30 June 2015								
Revenue								
External customers	1,364,398	70,403	416,085	93,269	52,277	34,274	-	2,030,706
Inter-segment	21,214	1,876	66,612	17	2,947	7,812	(100,478)	-
Total	1,385,612	72,279	482,697	93,286	55,224	42,086	(100,478)	2,030,706
Reportable segment profit/(loss) before impairment loss	240,244	13,008	222,681	(21,237)	12,853	(7,246)	-	460,303
Impairment loss on loan to and trade receivables from an associate	(654,106)	-	-	-	-	-	-	(654,106)
Reportable segment (loss)/profit after impairment loss	(413,862)	13,008	222,681	(21,237)	12,853	(7,246)	-	(193,803)
Interest income	25,319	368	5,023	179	-	1,059	-	31,948
Finance costs	-	-	-	-	-	(3,484)	-	(3,484)
Depreciation and amortisation	(119,578)	(6,852)	(3,086)	(2,490)	(79)	(7,220)	-	(139,305)
Additions to non-current assets [#]	93,328	9,611	6,531	556	3,820	313	-	114,159

[#] Non-current assets comprise property, plant and equipment, investment properties, and land use rights and intangible assets (including prepayments related to capital expenditure, if any).

6 SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit/(loss) to profit/(loss) before income tax is provided as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Reportable segment profit/(loss)	310,511	(193,803)
Share of (losses)/profits of joint ventures	(3,087)	6,735
Share of losses of associates	(4,126)	(32,766)
Profit/(loss) before income tax	303,298	(219,834)

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	1,350,525	1,464,494
Malaysia and Singapore	265,583	270,950
Mainland China	195,955	147,155
USA and Canada	66,100	71,358
Australia	26,226	31,428
Vietnam	23,876	23,950
Europe	5,635	4,564
Other countries	29,909	16,807
	1,963,809	2,030,706

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 CAPITAL EXPENDITURE

	Intangible assets				
	Goodwill HK\$'000	Software development cost HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
As at 1 January 2015	115,643	–	3,068,165	10,202	66,378
Additions	–	–	111,254	–	–
Disposals	–	–	(433)	–	–
Transfer	–	–	(728,586)	728,586	–
Disposal of subsidiaries	(116,719)	–	(569,983)	–	–
Depreciation and amortisation (Note 15)	–	–	(151,584)	(4,439)	(1,636)
Exchange differences	1,076	–	26,026	5,244	15
As at 30 June 2015	–	–	1,754,859	739,593	64,757
As at 1 January 2016	–	26,976	1,687,364	684,309	59,948
Additions	–	8,740	152,431	445	–
Disposals	–	–	(1,774)	–	–
Transfer to non-current asset held for sale (Note 19(a))	–	–	–	(590,012)	–
Depreciation and amortisation (Note 15)	–	–	(145,418)	(8,091)	(1,545)
Exchange differences	–	–	(38)	15,496	(501)
As at 30 June 2016	–	35,716	1,692,565	102,147	57,902

At 31 December 2015, investment properties with net book value of HK\$583,701,000 were pledged to secure a bank loan granted to a subsidiary of the Group.

8 INTERESTS IN ASSOCIATES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Investment costs (note)	876,813	736,813
Fund advanced to an associate	20,000	–
Less: accumulated share of losses	(740,572)	(736,813)
	156,241	–
Loan to an associate	719,212	719,212
Interest receivable from an associate	25,114	23,234
	744,326	742,446
Less: share of losses in excess of investment costs	(151,035)	(151,035)
Less: provision for impairment loss	(593,291)	(591,411)
	156,241	–

Note:

During the period, the Group has invested HK\$140,000,000 in an associate holding an investment in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in, inter-alia, movie and entertainment related businesses.

9 HELD-TO-MATURITY FINANCIAL ASSETS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Bond securities at amortised costs:		
Unlisted	21,434	–
Listed in Hong Kong	159,804	–
Listed in other countries	125,314	–
	306,552	–

The interests of the bond securities are ranging from 3.55% to 6.375% per annum and the maturity dates are ranging from 18 January 2018 to 18 August 2025. They are denominated in Hong Kong dollars and US dollars.

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Non-current		
Prepayments related to capital expenditure	30,646	55,529
Current		
Trade receivables from:		
Joint ventures	145	1,655
Associates	628,789	615,251
Related parties	38,533	47,162
Third parties (note)	1,130,712	1,381,240
	1,798,179	2,045,308
Less: provision for impairment loss on receivables from:		
Associates	(627,826)	(615,131)
Third parties	(116,848)	(104,622)
Amounts due from associates	–	131
Other receivables, prepayments and deposits	660,603	540,831
	1,714,108	1,866,517
	1,744,754	1,922,046

Note:

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

At 30 June 2016 and 31 December 2015, the ageing of trade receivables based on invoice date including trading balances due from joint ventures, associates and related parties was as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Current	401,890	478,583
1-2 months	256,573	333,377
2-3 months	174,088	193,230
3-4 months	116,175	179,911
4-5 months	32,875	94,878
Over 5 months	816,578	765,329
	1,798,179	2,045,308

11 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2015 and 30 June 2015 and 1 January 2016 and 30 June 2016	438,000	664,044

12 OTHER RESERVES

	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2015	70,000	(191)	187,936	(98,504)	159,241
Currency translation differences:					
– Group	–	–	–	53,767	53,767
– Joint ventures	–	–	–	64	64
Transferred from retained earnings	–	–	3,882	–	3,882
Reclassification adjustment to profit or loss on disposal of subsidiaries	–	–	–	7,531	7,531
Disposal of subsidiaries	–	(864)	(155,152)	–	(156,016)
Loss previously in reserve released to profit or loss on disposal of subsidiaries	–	1,055	–	–	1,055
Balance at 30 June 2015	70,000	–	36,666	(37,142)	69,524
Balance at 1 January 2016	70,000	–	36,666	(129,571)	(22,905)
Currency translation differences:					
– Group	–	–	–	31,739	31,739
– Joint ventures	–	–	–	228	228
– Associates	–	–	–	367	367
Transferred from retained earnings	–	–	2,847	–	2,847
Reclassification adjustment to profit or loss on disposal of a joint venture	–	–	–	1,311	1,311
Balance at 30 June 2016	70,000	–	39,513	(95,926)	13,587

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade payables to:		
Joint ventures	–	5,123
Associates	2,970	7,205
Related parties	8,197	5,243
Third parties	78,144	131,995
	89,311	149,566
Receipts in advance, deferred income and customers' deposits	237,250	121,221
Provision for employee benefits and other expenses	127,922	163,906
Accruals and other payables	277,149	251,504
	731,632	686,197

At 30 June 2016 and 31 December 2015, the ageing of trade payables based on invoice date including trading balances due to joint ventures, associates and related parties was as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Current	61,869	117,911
1-2 months	20,792	17,853
2-3 months	3,744	7,180
3-4 months	683	1,718
4-5 months	73	1,211
Over 5 months	2,150	3,693
	89,311	149,566

14 OTHER REVENUES

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest income	17,963	31,948
Others	21,547	6,615
	39,510	38,563

15 PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Depreciation (Note 7)	153,509	137,669
Amortisation of land use rights (Note 7)	1,545	1,636
Costs of programmes and film rights	713,450	657,523
Costs of other stocks	11,704	11,841
Net exchange (gains)/losses	(313)	35,043
Discontinued operations		
Depreciation (Note 7)	–	18,354
Costs of programmes and film rights	–	35,251
Costs of other stocks	–	4,073

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 INCOME TAX EXPENSE

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2015: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	39,060	75,518
– Overseas	33,233	8,181
– Under/(over) provisions in prior periods	218	(8,603)
Deferred income tax:		
– Origination and reversal of temporary differences	(18,210)	(10,091)
	54,301	65,005

17 EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated based on the Group's profit/(loss) attributable to equity holders of the Company and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2016 and 2015. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	230,970	(278,158)
– Discontinued operations	70,756	1,426,196
	301,726	1,148,038

18 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, declared after the end of the reporting period, of HK\$0.60 (2015: HK\$0.60) per ordinary share	262,800	262,800

A final dividend of HK\$2.00 per ordinary share for the year ended 31 December 2015 amounting to HK\$876,000,000 was approved by shareholders on 25 May 2016 and paid on 10 June 2016.

19 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Non-current asset held for sale

As more fully explained in the Group's announcement dated 29 July 2016, certain investment properties have been disposed of subsequent to the end of the reporting period. Accordingly, the carrying value of the investment properties amounting to HK\$590,012,000 has been reclassified as "Non-current asset held for sale" in the condensed consolidated statement of financial position to reflect the Group's intention of disposing the asset at the end of the reporting period.

On 6 May 2015, the Group disposed of 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") ("First Disposal"). Post completion of the First Disposal, the Group entered into an agreement on 4 January 2016, pursuant to which the Group agreed to dispose of the remaining 47% equity interest in Liann Yee Group ("Second Disposal"). Accordingly, the carrying value of the remaining 47% interest in Liann Yee Group of HK\$884,854,000 was reclassified as "Non-current asset held for sale" in the condensed consolidated statement of financial position as at 31 December 2015.

(b) Analysis of the results of discontinued operations

The results of the Liann Yee Group for the six months ended 30 June 2015 together with related gain on the First Disposal was presented as discontinued operations in the condensed consolidated income statement as analysed below:

	Six months ended 30 June 2015 HK\$'000
Revenue	276,081
Cost of sales	(134,684)
Gross profit	141,397
Other revenues	2,890
Selling, distribution and transmission costs	(29,831)
General and administrative expenses	(31,202)
Other losses, net	(468)
Finance costs	(1,896)
Profit before income tax	80,890
Income tax credit	2,262
Profit after income tax	83,152
Tax on dividend distributed prior to completion of disposal of 53% equity interest	(52,726)
Gain on disposal of subsidiaries	1,395,770
Profit for the period from discontinued operations	1,426,196
Profit attributable to:	
– Equity holders of the Company	1,426,196

On 10 March 2016, upon the completion of the Second Disposal, a disposal gain of HK\$78,028,000 was recorded based on the consideration received of HK\$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(c) Analysis of the cash flows of discontinued operations is as follows:

	Six months ended 30 June 2015 HK\$'000
Net cash inflow from operating activities	121,736
Net cash inflow from investing activities	1,183,480
Net cash outflow from financing activities	(553,086)
Net cash inflow from discontinued operations	752,130

20 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	
	2016	2015
	HK\$'000	HK\$'000
Profit before income tax including discontinued operations	381,326	1,256,826
Adjustments for:		
Depreciation and amortisation	155,054	157,659
Defined benefit plans	–	(277)
Provision for impairment loss on loan to an associate	–	499,803
Provision for impairment loss on trade and other receivables	45,572	155,324
Reversal of provision for impairment loss on trade receivables	(18,811)	–
Share of losses of associates	4,126	32,766
Share of losses/(profits) of joint ventures	3,087	(6,735)
Gain on disposal of subsidiaries	–	(1,395,770)
Gain on disposal of a joint venture	(78,028)	–
Expenses incurred on disposal of subsidiaries	–	(32,380)
Gain on disposal of property, plant and equipment	799	(106)
Interest income	(17,963)	(32,810)
Finance costs	947	3,723
Exchange differences	19,085	25,638
	495,194	663,661
Increase in programmes, film rights, movies and stocks	(72,452)	(84,474)
Decrease in trade and other receivables, prepayments and deposits	122,277	163,210
Increase/(decrease) in trade and other payables and accruals	45,508	(59,411)
Cash generated from operations	590,527	682,986

21 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Guarantees for banking facilities granted to an investee company	7,798	7,263

22 CAPITAL COMMITMENTS

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Contracted but not provided for	183,382	166,297

23 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.

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 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	
		2016 HK\$'000	2015 HK\$'000
Sales of services:			
Joint ventures			
Rental income	(i)	5,240	4,278
Technical and facilities services fees	(i)	1,480	968
Associate			
Programmes and channel licensing fees	(ii)	361	29,606
Technical and operational service fees	(ii)	6,120	6,120
Rental income and related charges	(ii)	3,999	3,999
Service fee income	(ii)	4,365	–
Others	(ii)	858	1,047
Other related party			
Programmes and channel licensing fees	(iii)	99,080	123,773
Advertising consultancy fees	(iii)	11,631	13,506
		133,134	183,297
Purchases of services:			
Joint venture			
Programmes and channel licensing fees	(i)	(12,736)	(10,315)
Associate			
Playback and uplink service fees	(ii)	(15,276)	(15,359)
Graphic service fees	(ii)	–	(1,250)
Others	(ii)	(2,187)	(328)
Other related party			
Project management fees	(iv)	–	(1,621)
		(30,199)	(28,873)

Notes:

- (i) The fees were received from/(paid to) Liann Yee Production Co., Ltd. ("Liann Yee"), a joint venture of the Group since 6 May 2015 upon the Group's disposal of 53% equity interest in Liann Yee. Liann Yee ceased to be a joint venture upon the completion of the disposal on the remaining 47% equity interest on 10 March 2016.
- (ii) The fees were received from/(paid to) TVB Network Vision Limited ("TVB Network Vision"), an associate of the Group.

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (iii) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (iv) The fees were paid to ITC Properties Management Limited. The entity is controlled by a person who has significant influence over the Company, and a close member of that person's family.

The Company supplies channel contents to TVB Network Vision in exchange of its advertising revenue attributable to the relevant channels.

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

(b) Key management compensation

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	11,247	10,183

(c) Fund advanced/loans to related parties

	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Fund advanced to joint ventures		
Beginning of the period/year	54,398	41,981
Fund advanced	–	13,044
Exchange differences	(153)	(627)
End of the period/year	54,245	54,398
Loan to joint ventures		
Beginning of the period/year	145,798	16,696
Transfer to loan and receivables (note (i))	(142,505)	–
Loan provided	–	300,902
Interest charged	–	3,735
Loan repayment	(2,966)	(155,863)
Interest received	(338)	(2,488)
Exchange differences	11	(17,184)
End of the period/year	–	145,798

FINANCIAL INFORMATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Fund advanced/loans to related parties (continued)

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Loan to an associate (note (ii))		
Beginning of the period/year	742,446	738,872
Interest charged	1,880	3,574
End of the period/year	744,326	742,446
Fund advanced to an associate		
Beginning of the period/year	–	–
Fund advanced	20,000	–
End of the period/year	20,000	–

Notes:

- (i) The amount represented loan to and interest receivables from Liann Yee Group.
- (ii) The loan to the associate carries interest at the rate of 1-month HIBOR plus 0.25% per annum. At 30 June 2016, a provision for impairment loss of the loan to an associate of HK\$593,291,000 (31 December 2015: HK\$591,411,000) had been made (Note 8).

25 EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 29 July 2016, the Group entered into an agreement, pursuant to which the Group agreed to dispose of Neihu building in Taiwan ("Disposal") at a consideration of NT\$4,000,000,000 (representing approximately HK\$961,200,000). The Group will realise a gain from the Disposal of approximately NT\$1,153,236,000 (equivalent to approximately HK\$277,123,000) before provision for deferred tax liabilities in relation to the withholding tax on the distributable profits attributable to the Disposal in the sum of approximately NT\$230,647,000 (equivalent to approximately HK\$55,425,000). This building has been classified as "Non-current asset held for sale" in the condensed consolidated statement of financial position.

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 20 to 44, 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 2016 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

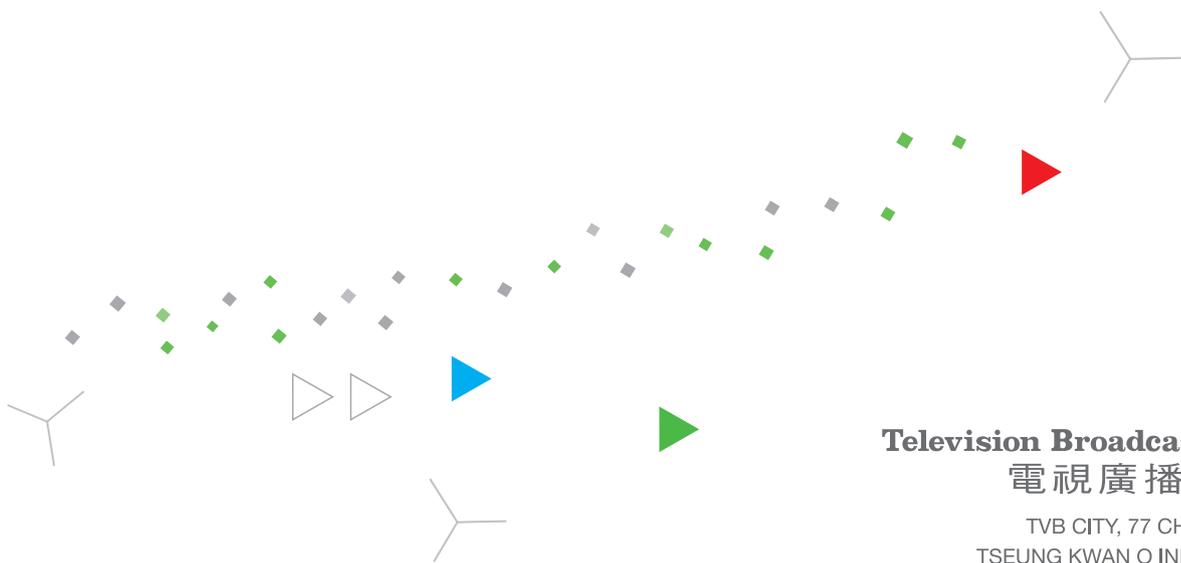
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 August 2016

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