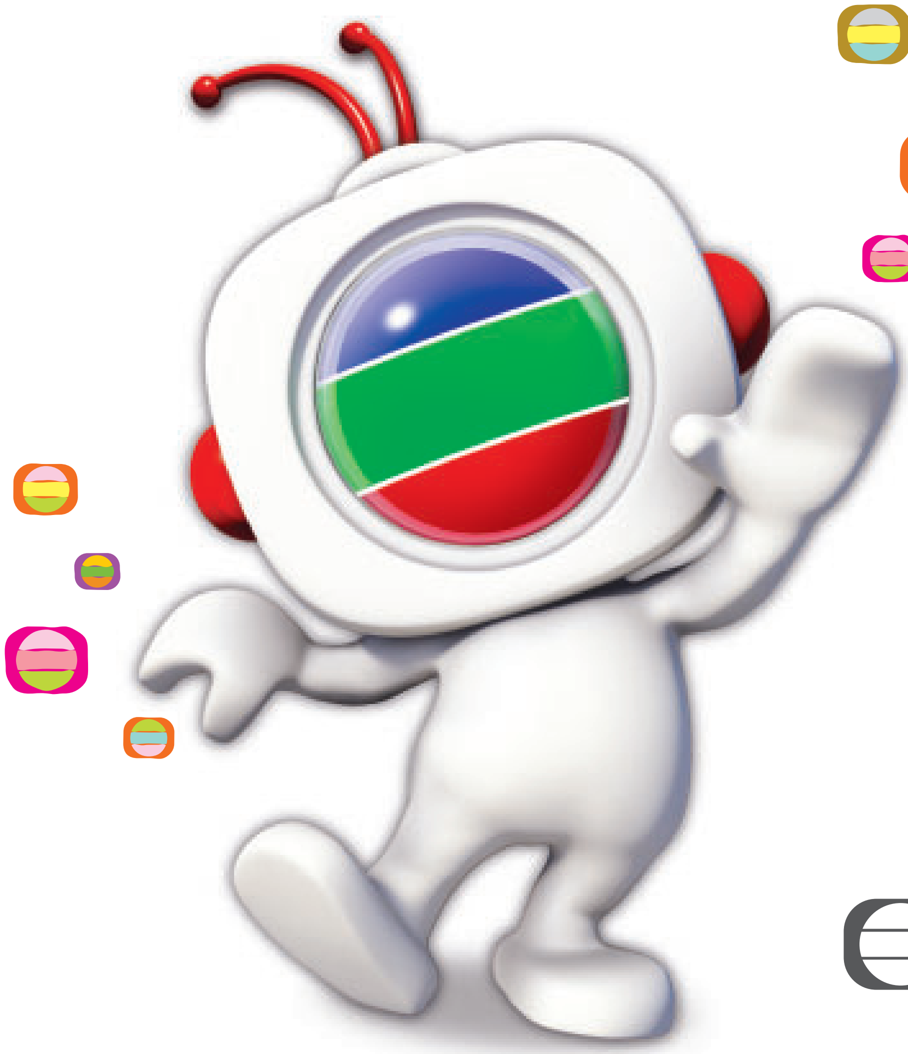
ANNUAL REPORT 2009

周年報告

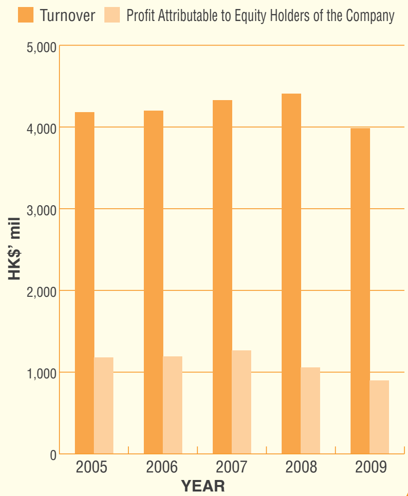


Television Broadcasts Limited
電視廣播有限公司

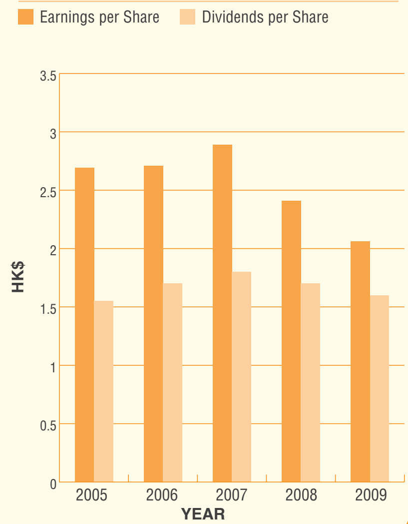
Stock Code 股份代號：00511

Financial Highlights

Turnover & Profit Attributable to Equity Holders of the Company

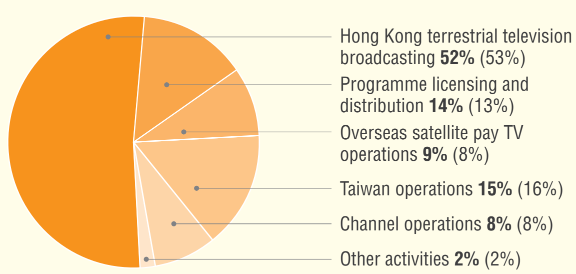


Earnings & Dividends Per Share



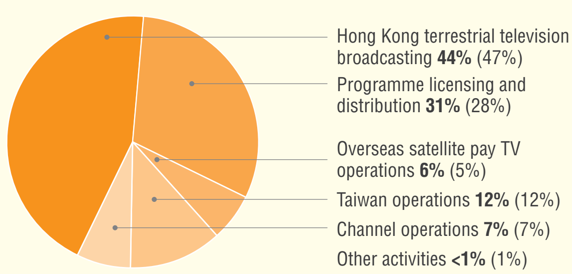
	2009	2008	Change
Performance			
Earnings per share	**HK$2.06**	HK$2.41	-15%
Dividends per share			
- Interim	**HK$0.25**	HK$0.30	-17%
- Final	**HK$1.35**	HK$1.40	-4%
	HK$1.60	HK$1.70	-6%
	HK$'mil	HK$'mil	
Turnover			
- Hong Kong terrestrial television broadcasting	**2,072**	2,346	-12%
- Programme licensing and distribution	**667**	728	-8%
- Overseas satellite pay TV operations	**348**	346	+1%
- Taiwan operations	**630**	720	-13%
- Channel operations	**329**	344	-4%
- Other activities	**97**	107	-9%
- Inter-segment elimination	**(160)**	(184)	-13%
	3,983	4,407	-10%
Total expenses	**(2,741)**	(3,102)	-12%
Share of losses of associates	**(65)**	(63)	+3%
Profit attributable to equity holders	**900**	1,055	-15%
	31 December 2009 HK$'mil	31 December 2008 HK$'mil	
Total assets	**7,043**	6,742	+4%
Total liabilities	**1,224**	1,108	+11%
Total equity	**5,819**	5,634	+3%
Number of issued shares	**438,000,000**	438,000,000	
Ratios			
Current ratio	**4.39**	5.34	
Gearing	**5%**	6%	

2009 Turnover by Operating Segment



% relating to 2008 are shown in brackets

2009 Reportable Segment Profit by Operating Segment



% relating to 2008 are shown in brackets

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Corporate Information

BOARD OF DIRECTORS

Sir Run Run SHAW, G.B.M. *(Chairman)* #
(re-designated on 1 January 2010)
Dr. Norman LEUNG Nai Pang, G.B.S., LL.D., J.P.
(Executive Deputy Chairman) *
Mona FONG *(Deputy Chairperson and Managing Director, and Alternate Director to Sir Run Run SHAW)* *
(appointed as Managing Director on 1 January 2009 and appointed as an Alternate Director to Sir Run Run SHAW on 22 October 2009)
Christina LEE LOOK Ngan Kwan #
Dr. CHOW Yei Ching, G.B.S. #
Kevin LO Chung Ping #
Edward CHENG Wai Sun, S.B.S., J.P. ^
Chien LEE ^
Gordon SIU Kwing Chue, G.B.S., J.P. ^
Vivien CHEN Wai Wai ^ *(appointed on 1 September 2009)*
Mark LEE Po On* *(appointed on 24 March 2010)*
Anthony LEE Hsien Pin
(Alternate Director to Christina LEE LOOK Ngan Kwan)

* *Executive Directors*
\# *Non-executive Directors*
^ *Independent Non-executive Directors*

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Norman LEUNG Nai Pang *(Chairman)*
(appointed as the Committee Chairman on 1 January 2010)
Sir Run Run SHAW
(resigned as the Committee Chairman on 1 January 2010)
Mona FONG
Christina LEE LOOK Ngan Kwan
Kevin LO Chung Ping
Mark LEE Po On *(appointed as member on 24 March 2010)*

AUDIT COMMITTEE

Gordon SIU Kwing Chue *(Chairman)*
Chien LEE
Kevin LO Chung Ping

REMUNERATION COMMITTEE

Chien LEE *(Chairman)*
Edward CHENG Wai Sun
Gordon SIU Kwing Chue

EXECUTIVE OFFICERS

SENIOR MANAGEMENT

Mark LEE Po On *(Group General Manager)*
(appointed on 15 September 2009)
Stephen CHAN Chi Wan *(General Manager – Broadcasting)*
CHEONG Shin Keong *(General Manager – Broadcasting)*

COMPANY SECRETARY

Adrian MAK Yau Kee

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

AMERICAN DEPOSITARY RECEIPTS

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

STOCK CODES

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

WEBSITE

www.tvb.com

Chairman's Statement

The directors of Television Broadcasts Limited ("Directors") are pleased to present the 2009 annual report and financial statements in respect of Television Broadcasts Limited (the "Company" or "TVB") and its subsidiaries (collectively, the "Group").

RESULTS AND DIVIDEND

For the year, the Group reported a profit attributable to shareholders of HK$900 million (2008: HK$1,055 million), which represented a decrease of 15%. Earnings per share was HK$2.06 (2008: HK$2.41). At the year end, the total equity stood at HK$5,819 million (2008: HK$5,634 million).

At the forthcoming Annual General Meeting in May 2010, Directors will recommend a final dividend of HK$1.35 per share. Together with the interim dividend of HK$0.25 per share paid earlier, this makes a total dividend of HK$1.60 per share for the full year ended 31 December 2009, and represents a decrease of 6% over 2008 and a 78% payout to our current year's profit.

BUSINESS AND OUTLOOK

2009 was truly a challenging year on all fronts. As I mentioned in the interim report of the year, the negative impact of the global economic downturn brought sharp and rapid decline in our revenue. Our cost structure, being substantially fixed in nature, lowered the Company's performance during any economic setback. As we moved into the second half of the year, we were pleased to see stabilisation and return of confidence in the market. We are fortunate that we are able to maintain our lead in the terrestrial TV market, both in TV ratings and market acclaim, which gave us the much needed foundation to secure our advertising business on our terrestrial TV channels. Our business models, encompassing broadcasting, production, and programme distribution, are continuing to work well for us. To this end, I must whole-heartedly thank our loyal staff and artistes who have demonstrated their commitments and dedication to this organisation, allowing it to grow and maintain its market position throughout the past 42 years.

With a total of five digital TV channels, we are offering an attractive terrestrial TV service in Hong Kong. However, the landscape for terrestrial TV is set to become more competitive, as new players have submitted their licence applications to enter this market. We will remain vigilant and strive to produce the programmes welcomed by our audience.

The market for pay TV in Hong Kong has become very competitive, as operators battle to secure premium contents for subscribers. Over the years, TVB Pay Vision, our associate which provides pay television services, has become a driving force in the business, and a household brand name for the much sought after drama serials. To better align our position as the major content supplier to TVB Pay Vision, we have taken the opportunity to increase our beneficial interest from 29% to 60% through the additional acquisition of TVB Pay Vision's non-voting preferred shares.

We shall increase the variety of programmes, serving our subscribers' needs, and will enhance and leverage on the content library that TVB houses to our advantage.

On international distribution, we continue to enjoy the existing satellite TV platforms and worldwide licensing network which we have built over the years. This has put us in an advantageous position to deliver our contents to the Chinese community all over the world. In future, we foresee that this distribution will further transform and evolve into a landscape driven by the Internet or other on-line medium, as more and more viewers are becoming receptive to on-line medium as convenient and efficient ways of receiving our programmes.

During the year, we have continued to invest in our Internet operations and started to build an electronic archive in the nearby Shaw Studios for storage and management of our programme library. We believe that these essential investments will form a good foundation for our future business.

Lastly, on 1 January 2010, I have taken a step to hand over my duties as the Executive Chairman to my fellow deputy chairmen, but will continue to serve you as a non-executive Chairman of the Board and a member of the Executive Committee. With 2009 now behind us, we look forward to 2010 with the anticipation of a recovery phase in the market. Together with my fellow board members, we look forward to taking on challenges and your continued support in the road ahead.

Run Run Shaw
Chairman

Hong Kong, 24 March 2010

Review of Operations

OPERATING RESULTS FOR THE YEAR

For the year ended 31 December 2009, the Group attained a turnover of HK$3,983 million (2008: HK$4,407 million), a decrease of approximately 10% over 2008. Cost of sales was reduced from HK$2,025 million to HK$1,781 million, a decrease of approximately 12% over 2008. As a result, gross profit for the year amounted to HK$2,202 million (2008: HK$2,382 million), representing a decrease of approximately 8% over 2008, and the gross profit percentage slightly improved from 54% in 2008 to 55% in 2009.

Included in the cost of sales was the costs of programmes, film rights and stocks which amounted to HK$1,204 million (2008: HK$1,416 million), a decrease of approximately 15% over 2008.

Selling, distribution and transmission costs amounted to HK$456 million (2008: HK$507 million), a decrease of approximately 10% over 2008. General and administrative expenses amounted to HK$505 million (2008: HK$570 million), a decrease of approximately 11% over 2008. These cost savings were made as a result of an effort to rationalise the existing cost base against an overall weak market.

The Group's share of losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH"), increased from HK$63 million to HK$65 million, upon the completion of the acquisition of an additional 31% equity interests in TVBPVH on 16 November 2009. Consequently, the percentage of share of losses increased from 29% to 60% on 16 November 2009. (Please refer to discussion in section "Investment in Hong Kong Pay TV Platform" for further details.)

Profit before income tax for the year amounted to HK$1,221 million (2008: HK$1,286 million), a decrease of approximately 5% over 2008.

The Group's taxation charge amounted to HK$321 million (2008: HK$230 million), an increase of approximately 40% over 2008. As further explained in Note 26 of the consolidated financial statements, the Group has, during the year, made a provision for taxation of HK$102 million relating to prior years on profits generated by the Group's programme licensing and distribution business carried out overseas, as a result of the tax challenge from the Inland Revenue Department of Hong Kong (IRD).

Overall, the profit attributable to equity holders for the year amounted to HK$900 million (2008: HK$1,055 million), a decrease of approximately 15% over 2008. Earnings per share was HK$2.06 (2008: HK$2.41).

SEGMENT RESULTS

Revenue under Hong Kong terrestrial TV broadcasting, which comprised predominantly advertising revenue derived from the Hong Kong free TV channels (Jade, Pearl, HD Jade, J2 and iNews) decreased from HK$2,346 million to HK$2,072 million, representing a decrease of approximately HK$274 million or 12% over 2008.

The cost of sales which comprised the costs of self-produced TV programmes, the amortised costs of acquired film rights and other costs, decreased from HK$1,134 million to HK$968 million, representing a decrease of approximately HK$166 million or 15% over 2008. Much of the reduction was mainly attributable to the absence of the non-recurring costs relating to coverage of the Beijing 2008 Olympic Games, and our strenuous efforts to reduce other programme costs in 2009. As a result, a segmental profit of HK$565 million (2008: HK$640 million) was recorded, a decrease of approximately HK$75 million or 12% over 2008.

Revenue from programme licensing and distribution which comprised predominantly licensing income from distribution of our programmes through telecast, homevideo, and new media licensing, decreased from HK$728 million to HK$668 million, a decrease of approximately HK$60 million or 8% over 2008. However, with its operating costs reduced by HK$52 million together with an exchange gain of HK$6 million (2008: exchange loss of HK$22 million), a segmental profit of HK$394 million (2008: HK$374 million) was recorded, representing an increase of approximately HK$20 million or 6% over 2008.

Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in USA, Australia and Europe, posted a slight increase of HK$2 million to HK$348 million (2008: HK$346 million). A segmental profit of HK$75 million was recorded (2008: HK$62 million), representing an increase of approximately HK$13 million or 22%, which was driven by the stringent control on operating expenses during the year.

Revenue from Taiwan operations decreased from HK$720 million to HK$630 million which was mainly caused by the contraction in advertising income. By adopting cost saving measures, the operating expenses were reduced by HK$79 million. As a consequence, a segmental profit of HK$154 million (2008: HK$165 million) was recorded, reflecting a decrease in profit of approximately HK$11 million or 7% over 2008.

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the satellite TV channel operations, and the supply of the nine pay TV channels to TVB Pay Vision Limited ("TVBPV"), decreased from HK$345 million to HK$329 million, a decrease of approximately HK$16 million or 5% over 2008. This segment contributed a segmental profit of HK$94 million (2008: HK$89 million), an increase of approximately HK$5 million or 6% over 2008, as the savings in operating expenses outweighed the decrease in revenue.

Revenue from other businesses which comprised revenue from Internet operations and magazine publishing, decreased from HK$107 million to HK$97 million. With higher operating expenses associated with the expansion of Internet operations, this segment recorded a fall in profit from HK$20 million to HK$4 million, a decrease of approximately HK$16 million or 82% over 2008.

HONG KONG TERRESTRIAL TV BROADCASTING

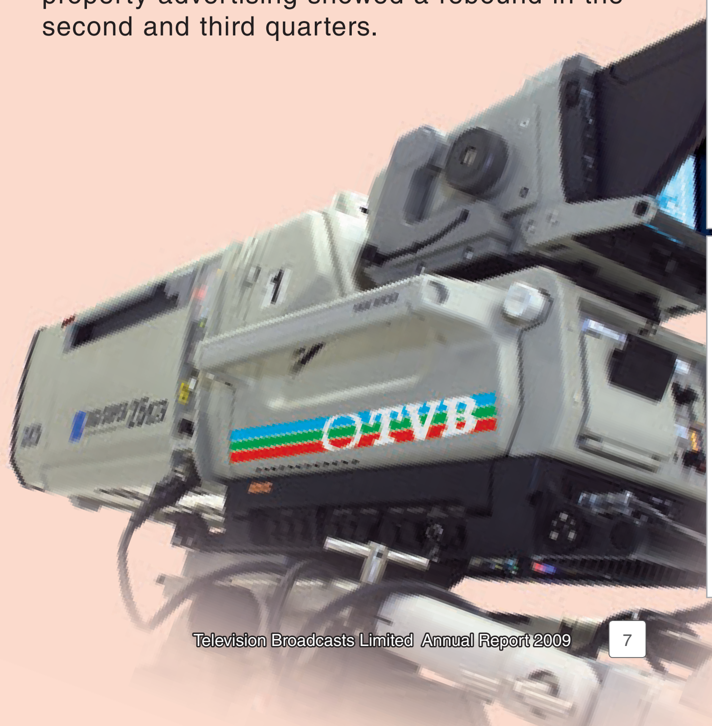
ADVERTISING REVENUE

An improvement in advertising revenue performance in the last quarter of 2009 helped reduce the decline in advertising revenue for the year to 12% over 2008.

Advertiser sentiment was at its lowest in the first quarter. The most affected categories were in the financial services area, local properties, leisure categories and business-to-business oriented categories. Nevertheless, we were able to achieve growth in spending in this quarter in more recession-proof categories, such as the personal cleaning products and the milk powder for infants.

Advertiser confidence increased moderately in the second and third quarters with the decline in advertising revenue narrowing during this period.

Though the hard-hit financial services, leisure and business-to-business categories continued to be weak in the second and third quarters, we were able to continue to grow the recession-proof categories as well as the supermarket and skin care categories. In addition, local property advertising showed a rebound in the second and third quarters.



REVIEW OF OPERATIONS

Local property advertising continued to be strong in the last quarter. In addition, overall advertiser sentiment was clearly more upbeat in the run-up to Christmas with advertising spending increasing across many categories. In addition, there was good revenue arising out of our efforts to comprehensively cover the 2009 East Asian Games.

The improved economic and advertiser sentiment in the last quarter of 2009 gave ground to believe that the recession in advertising spending has bottomed out, and we can look forward to building growth gradually in the year ahead.

DIGITISATION

The growth in digital terrestrial television ("DTT") adoption was, expectedly, slower in the second year of DTT broadcasting than in the first year. Nevertheless, DTT household penetration (including PC-based receivers) grew from 32.3% in December 2008 to 46.5% in December 2009, which is in line with our expectation.

A significant trend assisting DTT adoption is the wide availability of integrated digital TV sets or idTV's since the beginning of 2009. Thus, sales of stand-alone set-top boxes have slowed down considerably, particularly in the second half, with consumers preferring to purchase idTV's.

Burning Flame III

The Group continued to increase the DTT coverage by increasing the number of re-transmission stations or fill-in stations around Hong Kong. At 31 December 2009, five additional fill-in stations were successfully brought into service, taking the total number of main transmission stations and fill-in stations in operation to six stations each. Therefore, the DTT coverage increased from 75% to 85% of all households at the end of the year.

As part of the Group's strategy to adopt a total digital production environment, the Company targets to substantially complete the upgrade of all of its drama studios and major variety studios in TVB City by the end of December 2010 which would enable all major production to be in HD format. This will be followed by the upgrade of the remaining studios, together with the remaining outside broadcasting equipment.

During 2009, the Company has started to construct in the nearby Shaw Studios an electronic archive for storage and retrieval of self-produced television programmes in digital format. This electronic archive is an important foundation for storage and retrieval of programme records, which would benefit future distribution and licensing of our programmes. At the same time, a selection of metadata associated with the programmes will also be incorporated in the digital files to facilitate search capability.

MID-TERM LICENCE REVIEW

The Mid-term Licence Review conducted recently by the Broadcasting Authority on the first six years of TVB's current broadcasting licence was both comprehensive in scope and widespread in community participation.

E.U.

Through this review, TVB has proven its outstanding record of broadcasting excellence and licence compliance.

In response to public and community feedback arising out of this review, the Company will be increasing its subtitling services for both Chinese and English language channels, and increasing the hours of positive programming.

TERRESTRIAL TV CHANNELS PERFORMANCE

In addition to the two analogue channels Jade and Pearl, five digital channels are in operation: Jade, J2, HD Jade, iNews (all in Cantonese) and Pearl (in English). With the new digital channels, opportunities have arisen for programmes to be broadcast cross-platform on multi-channels, allowing simultaneous live broadcast of large scale events for more comprehensive coverage. During the year, TVB utilised its multi-channel capability to cover major events such as the historical 60^{th} Anniversary of the founding of the People's Republic of China in October, and the events of the 2009 East Asian Games, the FIVB World Grand Prix, the 11^{th} National Games of China, and Hong Kong Sevens.

Jade Channel

Drama

Dramas continue to attract a wide audience following for weekday evening primetime[1] on Jade.

1 Jade's weekday primetime runs from 7 p.m. to 11 p.m.

Rosy Business

REVIEW OF OPERATIONS

2009 was a bumper year for our drama productions with notable successes. *Rosy Business* (25 episodes) launched in April was a highly successful period drama about a family business run by the fourth wife of a rice baron who was helped by Chaijiu, a strong-willed subordinate, whose aphorisms became oft repeated. This drama truly became talk-of-the-town with 33 TVRs[2] average for the whole series and 42 TVRs in the final episode. Its success resulted in the male and the female leads taking the Best Actor and the Best Actress Awards in our *TV Awards Presentation 2009*.

[2] TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2009, the TV population was estimated as 6,360,000, and therefore, 1 TVR represents 63,600 viewers (1% of the TV population). Ratings data source: CSM Media Research.

The Tang Dynasty palace intrigue drama *Beyond the Realm of Conscience* (33 episodes), broadcast in October as part of the station's 42nd anniversary celebration, was our highest-rated drama series since 2005, gaining 35 TVRs average for the whole series and 46 TVRs average in the final episode. This production boasted a year of intensive research, an astounding 258 costumes with elaborate and intricate designs including ornate headpieces, and almost a thousand pieces of dazzling jewelry for the imperial ruler and the four empress households.

The finale of both dramas were celebrated with spectacular fanfare, including shopping arcade audience-artistes screenings, and behind-the-scenes pre-and-post specials as event programming.

Back to contemporary themes, *Burning Flame III* (32 episodes) the third part of the acclaimed series interweaving firefighters' challenges, family relationships and love affairs, succeeded in achieving a remarkable rating of 33 TVRs average. The police drama *E.U.* (30 episodes) launched in February, depicted the odyssey of an undercover agent "Laughing Gor" who fought against triad crime. This series captured the audience's imagination with ratings reaching 30 TVRs average for the whole series. The immense popularity of this drama led to the production of the first spin-off movie *Turning Point* which was a joint venture production between the Shaw group and TVB. This movie debuted in cinemas in August.

The popular sitcom *Off Pedder* (337 episodes) was a staple at the regular 8pm weekday timeslot throughout the year. During the year, TVB co-produced a five-episode series, *ICAC Investigators* with the Independent Commission for Anti-Corruption for the promotion of anti-corruption citing real cases. This programme carried special educational as well as entertainment value.

Beyond the Realm of Conscience

REVIEW OF OPERATIONS

Non-Drama

Non-drama programmes form the core of the weekday late night and weekend evening timeslots. TVB's non-drama offerings cover a wide range of programmes from topical documentaries to variety shows, chat shows, game shows, travelogues which were capable of engaging and entertaining both the participating artistes and the audience alike.

In addition to TVB's *Anniversary Gala* and *TV Awards Presentation 2009*, two premium documentary series were tailor-made to celebrate the 42nd anniversary. *Being* a 14-part documentary was shot on location in Ethiopia, East Malaysia and China (Beijing) tracing the origin of humanity and civilisation. *That Was Then* drew an indelible collection of photographs and programme clips from our massive archive dating back to 1967, the station's opening year.

We began the year 2009 on a low note as the economy was suffering a downturn. On Jade, special morale-boosting programmes were designed and produced to reinforce a positive attitude in coping with stress and strain of everyday life. Two heart-warming series, *Power Up Hong Kong* and *One From The Heart*, both short format programmes presented by well-known artistes and celebrities, were produced for this purpose.

Jade also introduced a brand new 10-episode documentary series, *A Year To Remember*, which featured a collection of stories from well-known personalities in Hong Kong who gave touching accounts of their experiences and emotional roads during the past year.

Promotion of the green issues remained a high priority item on our agenda. Jade launched an eco-campaign to highlight the global climate change and reinforced the environmental

TV Awards Presentation 2009

protection messages to the public, using a combination of self-produced and acquired programmes to coincide with the 2009 United Nations Climate Change Conference held in Copenhagen in December.

Two brand new programmes took to the stage during the year. Singer talent contest *The Voice* broadcast on Sunday nights from July provided a nurturing ground for future singing stars. With its initial success, the station co-produced a follow-up 15-episode series with Shenzhen Media Group, turning it into a contest with entries from mainland China, Taiwan and Hong Kong. The programme was also broadcast over mainland China through Shenzhen Media Group's satellite's network. Talk show *Club Sparkle* launched in January, was hosted by Sandra Ng and Chin Ka-lok who interacted with many celebrity guests with media-hungry stories.

霎時感動 One From The Heart

REVIEW OF OPERATIONS

TVB and our connoisseur artistes reached out to the world and refreshed our audience with a series of themed lifestyle travelogues for perfect escapist entertainment. *Coffee Confidential* (8 episodes) ventured into Italy, Denmark, Kenya, Indonesia and Taiwan to unfold the lesser known stories of the coffee culture. *Last Paradise* (10 episodes) presented the natural wonders of Finland and Korea. *Sakura Memories* (7 episodes) soaked in the beauty of Japanese cherry blossoms in the spring; and *From City to City* (6 episodes) delved into the rich culture of Germany.

Club Sparkle

TVB extensively covered the historical 60th Anniversary of the founding of the People's Republic of China in October. The station produced a four-episode prelude series, *60 Years, A Nation* on the development and foundation of modern China. On 1 October,

The Voice

Jade and HD Jade broadcast live *National Day Parade* and *National Day Celebration Gala*, the two spectacular events held in Tiananmen Square, Beijing. At the same time, Pearl provided complementary live telecast of *China National Day Fireworks Display* from Victoria Harbour, Hong Kong. Further on 2 October, Jade carried a 90-minute evening gala, *People's Republic of China National Day Celebration 2009*.

Hong Kong hosted the East Asian Games ("Games") for the first time in December 2009. TVB was selected as an official broadcaster for the event, covering the pre-game events, the countdown show and the opening ceremony (which captured over 1.7 million viewers), together with a selection of the events during the Games, which was broadcast live across Jade, Pearl, HD Jade and J2. The station devoted a total of 86 broadcast hours to provide an extensive coverage of the Games, via live broadcast or recorded highlights, across the terrestrial channels covering a wide audience.

Coffee Confidential

Being

REVIEW OF OPERATIONS

HD Jade Channel

高清翡翠台

Since service commencement on 31 December 2007, HD Jade has been serving as the showcase channel for both station-produced and acquired programmes in high definition ("HD") format, attracting discerning audience who demand high quality viewing pleasure. With its full 24-hour broadcast schedule, it positions itself as a full time HD channel in Hong Kong.

HD Jade offers a wide range of programmes to suit all tastes. *Money Smart*, a live financial markets programme, provides in depth and up-to-date stock market information during weekday daytime.

Lifestyle programming took centre stage with the launch of the true HD edition of Pearl's own production *Dolce Vita* in October, which was complemented by Asian travelogues *Noodle Road* (6 episodes), from Korea; *See the World* (13 episodes), from Taiwan; and other quality European HD productions.

During weekday evening primetime, HD Jade simulcasts Jade's dramas and news/ variety programmes. In addition, HD Jade also broadcast its own acquired Asian HD dramas, such as *Pao, the Judge* (61 episodes), the first ever drama in HD production; *The Sun And The Moon Shine Together* (50 episodes); and a TVBS' production, *I Do?* (20 episodes).

I Do?

Noodle Road

See the World

J2 Channel

Since its debut in mid 2008, J2 has positioned itself as an alternative channel for the young and trendy audience, broadcasting both station-produced and acquired programmes.

The latest drama, anime, and international award shows captivated the youthful crowd with hot and current imported Asian dramas such as *Boys Over Flowers* (25 episodes), *Last Friends* (11 episodes) and *K.O. 3 Anguo* (48 episodes), almost day-and-date with the Japanese schedule (only three weeks behind) of the successful anime *Fullmetal Alchemist-Brotherhood*; upbeat international events such as *F1 ROCKS Singapore Western Music Programme*, *Tokyo Real Fashion 2009 A/W*; and the latest award shows such as *Teen Choice 2009*, and *Yahoo! Buzz Awards 2009*.

J2 took steps to engage in key events and entertainment platforms in Hong Kong. It became the official television channel for the 11th ACGHK 2009 (Animation-Comic-Game Hong Kong 2009) and a number of anime series were dedicated to the event with on-stage road shows. J2 also co-produced the talent show *Super Ten* with Commercial Radio Hong Kong, and the show was broadcast cross-platform on both J2 and CR2.

J2 also broadcast a number of important sports programmes, such as *NBA Blog 2009/2010* which complemented Jade and HD Jade, and *AFC Cup 2009*.

Last Friends

Fullmetal Alchemist-Brotherhood

Boys Over Flowers

REVIEW OF OPERATIONS

Pearl Channel

With an upmarket, trendy and international image, Pearl remains in the lead amongst terrestrial English channels, with a weekly primetime[3] audience share[4] of 75% (2008: 75%). For the fifth consecutive year, Pearl captured all the top-rated 100 programmes on English terrestrial channels.

Starting October, Pearl re-launched its weekday primetime schedule with drama series beginning at 8:30 p.m. and at 10:30 p.m., and documentary series/lifestyle programming beginning at 9:30 p.m., making up a “primetime sandwich” to better complement the audience’s viewing patterns.

Harry Potter and the Chamber of Secrets™

The station-produced weekly magazine programme *Dolce Vita* grew from strength to strength to become the channel’s icon production. It is now also on HD Jade.

Weekend blockbuster movies remained the viewers’ favourite. The Harry Potter blockbusters were particularly well-received, with *Harry Potter and the Chamber of Secrets*, taking the top-rated programme on the English terrestrial channels with an average rating of 10.7 TVRs.

Pearl’s other first-run blockbuster movies included many more celebrated titles, such as Fox’s *Night at the Museum*, *Fantastic Four*, and *Madagascar*. Pearl also aired a series of Chinese movies at the Chinese Cinema Showcase on Saturday late nights, offering a broad range of movies, such as the celebrated and multi-award-winning *Still Life*, *The Road Home*, and *Riding Alone for Thousands of Miles*. Reality shows continued to draw substantial ratings on weekends, in particular, the new seasons of *America’s Got Talent*.

On weekdays, imported serial dramas of every genre continued to captivate the audience’s attention. These included *House*, the final season of *Prison Break*, *Primeval*, and *24*; and new attractions like *Fringe*, *Castle*, and *The Mentalist*.

A variety of quality documentaries focusing on ecological preservation and environmental protection was offered on Pearl. BBC's *Oceans* led underwater scientific expeditions; *Expedition Guyana* and *Expedition New Guinea* showcased the explorations into final frontiers. *Nature's Great Events* continued to attract high ratings.

Pearl paid tribute to the passing of Michael Jackson and Farah Fawcett in June with special programmes. Pearl also offered a number of local and foreign events to sports fans with cross channel exposure on our digital channels.

House

Courtesy of Fremantlemedia

America's Got Talent

[3] Pearl's weekly primetime runs from 7 p.m. to midnight.

[4] Audience Share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade (Jade and HD Jade) and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. Before 1 June 2009, measurement of TV ratings[2] (TVR) included analogue broadcast only. From 1 June 2009 onwards, the measurement also include digital broadcast.

Nature's Great Events


© Roger Horrocks
BBCW

REVIEW OF OPERATIONS

iNews Channel and News Services

TVB continues to strengthen its news services on terrestrial and pay TV channels. The iNews Channel, launched on 1 January 2009, is the only free 24-hour news channel service in Hong Kong, and is also broadcast live on-line through tvb.com. During the year, audience witnessed on-location live reports covered by the station's reporters on many key events around the world which included the riots in Xinjiang, the flood in Taiwan, the 2009 United Nations Climate Change Conference in Copenhagen, and anniversary reports on 60 years of modern China, the aftermath of the Sichuan earthquake, and the 10th Anniversary of Macau's Handover.

The weekday late night schedule on Jade was revamped in February to make way for an extended (from 20 to 45 minutes) *News Roundup* at 11 p.m. which provides a comprehensive and in depth news service featuring local and international news reports, as well as news stories of general interest. A more interactive format between presenters improved the presentation and increased audience's interest and, consequently, the ratings.

互動新聞台

News Roundup at 11p.m.

COMMENDATIONS AND AWARDS

During the year, the Company received the following commendations and awards:

Award Competition	Name of Entry	Awards
2009 PROMAX World Gold Awards	"The Four"	Gold Award in Dramatic Program Spot category
	"Taiwan Presidential Election"	Bronze Award in Special News Report category
2009 PROMAX Asia Awards	"Star Wars Movie Series"	Gold Prize of Best Movie Campaign
	"The Four"	Silver Prize of Best drama Campaign
	"28th Hong Kong Film Awards Presentation"	Silver Prize of Best Entertainment /Variety Promo
	"Reforming China, 30 Years On"	Silver Prize of Best News / Current Affairs Promo
Asian Television Awards 2009	"Sunday Report: Sichuan Earthquake One Year On - The Unspeakable Truth"	Winner of Best Current Affairs Programme
	Michelle Yim in "Moonlight Resonance"	Winner of Best Drama Performance By An Actress
2009 BDA World Gold Awards	"Moonlight Resonance"	Gold Award in DVD Packaging category
	"All Singers For TVB Anniversary Special 2008"	Silver Award in Scenic/ One Time Only Set category
	"Mr. Hong Kong Contest 2008"	Bronze Award in Scenic/ One Time Only Set category
ABU Prize on HIV/AIDS Programmes 2009	"Sunday Report: The AIDS Orphans of China"	Winner
RTNDA Edward R. Murrow Award	"News at 6:30 pm: Sichuan Earthquake"	2009 Regional Continuing Coverage
	"Reforms, 30 Years On: Path Of No Return"	2009 Regional News Documentary

REVIEW OF OPERATIONS

HONG KONG PAY TV BUSINESS

INVESTMENT IN HONG KONG PAY TV PLATFORM

On 16 November 2009, TVB successfully completed a transaction to acquire a total of 336,619,006 non-voting preferred shares in TVBPVH from Enjoy Profits Limited for a cash consideration of HK$212,745,098. As a result, TVB's interest in TVBPVH has risen from 29% to 60%, while its voting interest continues to remain at 15%. For the reason that the Group does not exercise the control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for in the Group, rather than consolidated.

The number of subscribers for the pay TV business continued to improve during the year, generating higher subscription revenue for this business. During the year, TVB's share of the net loss of TVBPVH was HK$65 million (2008: HK$63 million), an increase of 3%.

SUPPLY OF CHANNELS TO HONG KONG PAY TV PLATFORM

To satisfy viewers with varied interests, TVB provides a well-balanced bundle of pay channels to TVBPV which forms the core channel offerings on its pay TV service. These channels provide a variety of programmes of different genres, using a combination of station-produced and popular acquired programmes targeting a niche group of audience. A total of nine channels are being offered: TVBN and TVBN2 (offering 24 hour news services); TVB Lifestyle, TVB Drama, TVB Classic, TVB Select, TVB Entertainment News, TVB Kids and TVBM.

In an effort to strengthen the channel contents, a new drama channel TVB Select was launched and is being offered as part of the bundle from 30 November 2009. TVB Select assembled flagship drama titles from around Asia, including first-run and most popular TVB titles and the all time drama classics. The Korean big hit *Cruel Temptation* was launched with a bang. On TVB Classic, special titles were freshly repackaged such as *The Supreme Classic*, together with *The Stardust Memories*, and dramas featuring top stars such as Leon Lai and Aaron Kwok.

On TVB Drama, trendy Asian record high ratings hit drama series such as the Korean title *East of Eden* (2008 MBC Drama Awards), *Black & White* (Taiwanese 44th Golden Bell Awards Best Drama), and Japanese title *CHANGE* starring Kimura Takuya (winner of the Best Actor Awards of 57th Television Drama Academy Awards) were offered.

TVB Lifestyle serves to satisfy the needs of audience wanting to enrich their lives with the latest and trendy lifestyle ideas. A new travelogue, *Shanghai Walker* has been added to the current travelogue bundle. New programme *Living Up* which provides on-site tours of luxury residential properties and ideas

精選台

Cruel Temptation

劇集台

East of Eden

新聞台

新聞2台

for home decoration was launched. In *Grab a Bite*, renowned journalist Michelle Lo, with her exquisite taste and unique style, continued to sample new dishes from different restaurants and gather the latest update on various delicacies for our discerning viewers.

Apart from maintaining premiere animation series, two new educational programmes *Keep Up, Level Up* and *Liberal Studies* were tailor-made with local elements to enrich the programming on TVB Kids. *Liberal Studies* covering forums held at elementary schools, aimed at penetrating the local school networks, while *Keep Up, Level Up* provided a comprehensive supplement for learning at home. In addition, *tvbuddy Awards Presentation 2009* was held to stimulate creativity by encouraging kids to create a friend for tvbuddy, and nine lead-in functions TVBuddy Recruitment Day were organised and a highlight programme was telecast.

TVB Entertainment News continues to provide extensive local and international showbiz information and live coverage of local happenings. Red carpet festivities of major international and local film award ceremonies including *The 81st Annual Academy Awards*, *28th Hong Kong Film Awards Presentation*, *The 18th Hong Kong Theatre Awards Ceremony* were covered on this channel.

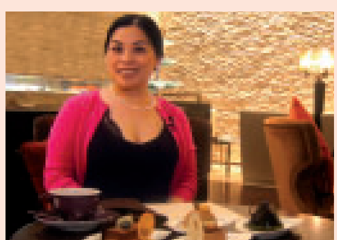
TVBM channel continues to target the music fans, local and international alike, with programmes such as *Raymond Lam Special, Raymond Lam Concert 2009*, *Lowell Lo Live in Hong Kong 08*, and *Ivana Wong Concert 2008*.

In the coming year, custom-made educational programmes will be the top priority for TVB Kids and more programmes with local flavour will also be produced for TVB Lifestyle.

經典台

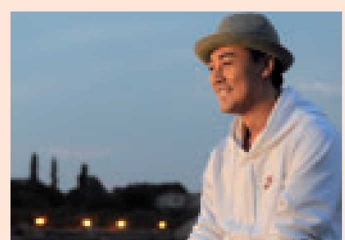
The Stardust Memories

生活台



Grab a Bite

音樂台



Raymond Lam Special

娛樂新聞台

兒童台

TVB 收費電視
PAY VISION

OTHER HONG KONG OPERATIONS

INTERNET OPERATIONS

During the year, our Internet portal tvb.com continued its growing momentum in gathering page views, and became one of the top ten most popular websites in Hong Kong. It attracted over 7.4 million viewers at its site during the station's anniversary month in November which represented an approximately 155% increase when compared with January 2009.

Recent surveys indicated that among our viewers, 80% are aged below 40, and 53% are based in mainland China and other overseas countries. Our portal has thus become a channel to effectively reach a group of young and overseas viewers, complementing the demographics of TVB channels.

Within the portal, "My TV" and "Artistes" community are two important elements generating very high traffic flow. "My TV" offering enables viewers to view TVB's and our partners' recently broadcast programmes in their entirety, together with behind-the-scene and interview footages. Currently, this service is only open to viewers based in Hong Kong, as we have existing licensing contracts for these programmes in overseas territories.

At year end, over 3,000 hours of TVB programmes and exclusive footages are stored on-line for viewing, and 200 million videos had been served to viewers during the year. Enhanced services include information relating to the locations of restaurants visited and cooking recipes which can easily be accessed via a sophisticated interactive video player.

A strong community has also been developed as we provide forums for our viewers to share their comments. During broadcast of the hit drama *Beyond the Realm of Conscience*, around two million viewers watched a total of 15 millions video streams in "My TV".

The popularity of "My TV" also attracted major advertisers to create special online campaigns to interact and engage our viewers.

To extend the reach of "My TV", we are partnering with four major mobile operators in Hong Kong to launch "My TV" on their 3G platforms for mobile handsets.

The "Artistes" community had grown over 300% in 2009 with four million fans from all over the world visiting every month. Over 200 artistes have created official blogs to share their most updated information, event calendars, photo albums and videos.

As a result of the fast development of "My TV" and "Artistes" community, traffic on tvb.com had grown by more than 250% in 2009. Starting from May 2009, tvb.com has become the number one entertainment portal in Hong

Kong as measured by Nielsen Online. This traffic was monetised by offering compelling integrated advertising solutions to advertisers, combining the capabilities of our Internet portal with that of terrestrial and pay TV channels and magazine TVB Weekly.

Increased traffic and encouraging feedback from both viewers and advertisers gave us the confidence that continuing investment in enhancing the portal would benefit our Group, both strategically and financially, in the long run.

MOVIE PRODUCTION

In April, the Shaw group and TVB established a joint venture to produce movies. The first title released to the market in August was *Turning Point*. The movie was well-received. A second movie *72 Tenants of Prosperity* was produced and screened in February 2010. The joint venture plans to produce more movies in the coming year.

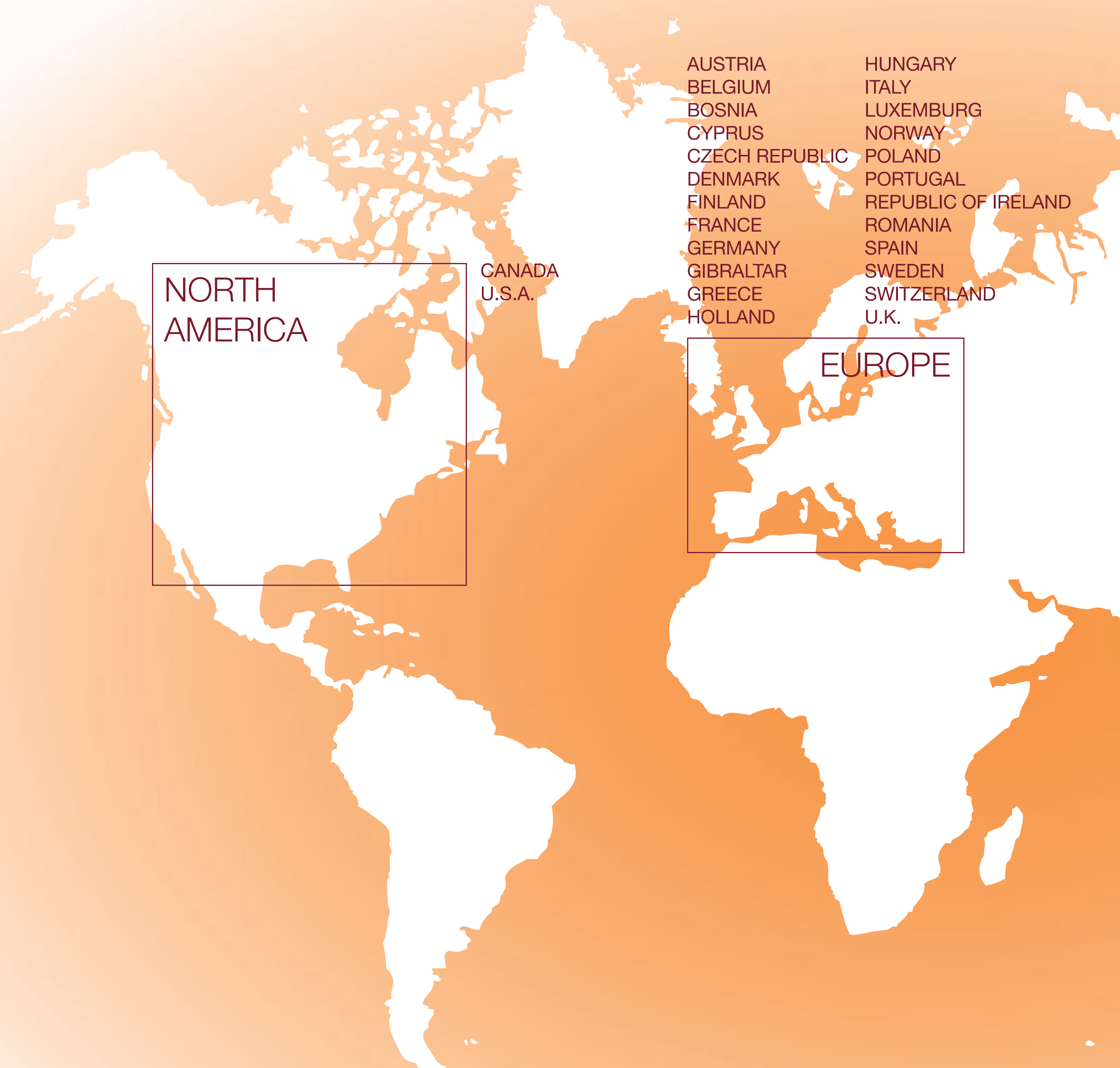
MAGAZINE PUBLISHING

TVB publishes TVB Weekly which acts as a promotion vehicle for our station and artistes. The economy downturn in early 2009 adversely affected TVB Weekly's advertising revenue, especially in the first three quarters of 2009.

In order to overcome the negatives and to generate additional revenue, TVB Weekly had joined force with the sales team of TVB and tvb.com in various integrated selling projects. The idea of cross platform advertising was largely welcomed by many major advertisers. We also enhanced our sales marketing projects, such as "TVB Weekly Brands Award", "TVB Weekly Kids Event", to attract more advertisers.

The unique positioning of TVB Weekly attracts a large number of TVB loyal fans and TV lovers. To better promote TVB's new channels to younger audience and trying to reach new advertisers of youth products, we started publishing J2 Magazine in July as a monthly supplement of TVB Weekly.

REVIEW OF OPERATIONS



Jade Channel	TVB - V	TVBS - E	TVB8	Xing He
USA	USA	Europe	Australia, China, Hong Kong, Macau, Malaysia, Singapore, New Zealand, USA	Australia, China, Macau, Malaysia, New Zealand, Singapore, Thailand, USA

INTERNATIONAL OPERATIONS

TVB's international businesses, which were mostly licensing and subscription based, were less affected by the economic downturn. Licensing revenue from key markets like Malaysia, Singapore and mainland China remained steady. We also saw signs of recovery in the last quarter of 2009 in some key countries like Malaysia where our advertising revenue was derived.

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution includes the businesses under telecast, video and new media licensing. Revenue from programme licensing and distribution recorded a drop of 8% to HK$668 million during the year. The fluctuation of currency exchange rates eroded our profits from key markets like Malaysia and Singapore albeit steady performance in real terms.

In Malaysia, the economic downturn only had slight impact to our licensing business. Illegal downloading via the Internet and piracy had direct impact on the subscription business of ASTRO All Asia Networks plc ("ASTRO"), our licensee in Malaysia. Our master contracts with ASTRO for provision of content to its Dynasty package expired on 30 September 2009. Both parties agreed to a short term extension of the contracts on existing terms. On 10 March 2010, a new agreement with ASTRO was concluded.

Licensing revenue from StarHub Cable Vision pay TV business was steady in Singapore. We, on the other hand, recorded revenue decline from free TV due to MediaCorp's tightening of programme acquisition budget.

The Group continued the strategy to widen its coverage in new markets. We cooperated with Taiwan's largest telecommunication company, Chunghwa Telecom, in a video-on-demand service on its MOD platform which would help to increase our programme exposure in

TVBS	TVBS News	TVBS Golden Channel	TVBJ
Taiwan, USA	Australia, Macau, Taiwan	Taiwan	Australia

REVIEW OF OPERATIONS

Taiwan. In addition, the launch of a TVB drama channel in collaboration with a prominent Vietnam cable network operator received overwhelming response from both subscribers and advertisers.

In mainland China, demand for quality programmes from TV stations remained strong but the quota for importing programmes was limited. Despite keen competition from TV content providers in the Asia Pacific region, we maintained our leading share in the overall approved imported programmes. To capitalise on the opportunities and the potentials in the expanding market, it was our strategy to co-produce programmes with mainland's TV stations. During the year, a number of co-production projects were completed with success. We will continue to invest in new projects if opportunities arise.

OVERSEAS SATELLITE PAY TV OPERATIONS

Our overseas pay TV businesses in the USA, Australia and Europe performed satisfactorily with steady growth in both subscribers and operating profits. TVB's global coverage and leadership in Chinese programmes production continued to appeal to subscribers and advertisers.

USA

Double-digit subscriber growth was sustained for the three years old TVB Vietnam Channel and the new Mandarin channels package despite very keen competition among the Chinese channel operators.

Australia

We have entered the fast growth stage of the business after nine years of investment. The number of subscribers was maintained even after our fee increase in March. While we continued to use satellite as the primary transmission method to our subscribers, we started to utilise a lower cost IPTV distribution technology to widen our distribution network to service customers who are not reachable by satellite. The response was encouraging.

Europe

To enable The Chinese Channel to enhance its service to subscribers, we started our migration from a single channel service to a five-channel platform in 2007. The conversion was successfully completed in December. It not only helped to strengthen our subscriber base at a higher ARPU but also provided us the environment to launch specialty channels like children's channel in future.

TAIWAN OPERATIONS

TVBS – Taiwan

Taiwan's economy hit bottom in the first half of the year but the situation began to improve in the third quarter. By the fourth quarter, a recovery was in place and we received a much needed rebound. Revenue for the whole year of HK$630 million was still 13% behind last year. Robust cost control measures were taken throughout the year to overcome the precipitous revenue decline.

TVBS

Lady First

Performancewise, TVBS News, the news channel, remains the bright spot of our Taiwan operation. TVBS Golden Channel, the entertainment channel, has seen some programming being revamped in the last quarter. More effort in the overhaul is needed before steady performance can be sustained. TVBS, the talk show oriented channel, continues to be a laggard as uninterested viewers stayed away from political and opinion shows during the recession. We could see a brighter 2010 as both TVBS and TVBS News are expected to benefit from hotly contested mayoral races in five major cities at the latter part of the year.

Relations across the straits are progressing rapidly with closer economic ties leading the way. Taiwan and mainland China have already signed an MOU to further link their financial industries, and are in advanced negotiation over an Economic Cooperation Framework Agreement (ECFA). These developments are expected to ignite new and significant growth in Taiwan's economy across the board, and TVBS would benefit from any additional advertising spending.

CHANNEL OPERATIONS

TVB8 and Xing He

TVB8 and Xing He channels are the Group's satellite channels in Mandarin targeting subscribers in mainland China. In recent years, TVB8 and Xing He are distributed also to Malaysia, Singapore, and to our overseas satellite pay TV platforms.

The business of TVB8 and Xing He was severely affected by the economic downturn in the first half of the year, but we saw a quick rebound in the last quarter of 2009. The overall performance was satisfactory and revenue was concluded at HK$116 million, representing a decline of 6% from last year.

We remained committed to the strategy of increasing our promotion efforts on TVB8 and Xing He in our key markets. During the year, we collaborated with Shenzhen TV in China in the production of *The Chinese Golden Bell Award for Music – Pop Music Competition* which was endorsed by the Chinese government. The programme was broadcast live to 600 million households in mainland China and overseas audience via TVB8 and Shenzhen TV.

TVB Stars MEGA LIVE

CORPORATE SOCIAL RESPONSIBILITY

TVB is in an advantageous position in Hong Kong's media and entertainment industry to influence, contribute and give back to the community.

TVB Caring Foundation, an internal group formed in 2007 with the mission of "Caring our Staff and Caring our Society", provided regular assistance to different groups of our society with the much needed daily essentials or services. During the year, many events were organised and participated by TVB staff which included food and TV set donations, visits to cage home dwellers, visit to the HKSPC Children and Family Services Centre for the protection of children, organisation of TVB City tours, coastal cleanup, and visit to New Being Fellowship, an anti-drug organisation. These visits helped bridge a caring relationship between TVB and our community.

As noted from a paragraph in section "Non-Drama" under the sub-heading of "Terrestrial TV Channels Performance", TVB responded to the social impact on the economic downturn at the beginning of 2009 in producing a series of mini programmes to foster a positive outlook. *Power Up Hong Kong*, and *One from the Heart* were broadcast during evening primetime, which depicted our artistes' experiences in handling their personal crisis.

As a platform to stage fund raising events, TVB continued to host annual on-the-air charity programmes throughout the year, which included the ever-popular *Tung Wah*

TVB Cares – Remembering Sichuan

The Community Chest's Walk for Millions

Charity Show, *Gala Spectacular*, *Yan Chai Charity Show*, *Community Chest Charity Show*. Not only did the programmes provide the entertainment for our audience, a total of approximately HK$216 million was raised during the year ended 31 December 2009.

Special programming efforts were made to cover the first anniversary of the 2008 Sichuan Earthquake. The station produced a two-hour primetime special *TVB Cares – Remembering Sichuan* in May which gave a report on the rehabilitation work in remote areas of Sichuan. TVB also responded in a timely manner to the tragic flood in Taiwan in August and produced a four-hour charity event *Artistes 88 Fund Raising Campaign* which was organised by Hong Kong Performing Artistes Guild. This campaign raised a total of HK$50.5 million for the victims.

TVB took part in the "Annual Community Chest Walk" to help publicise the event and raise funds and organised various events such as the "Annual Charity Sale of Cookies" in aid of Yan Chai Emergency Assistance Relief Fund which provided emergency assistance to people who had accidents or were in dire need for help, and the TVB Children Festival, an annual summer activity, which was aimed at helping children spend their holidays in a meaningful way as well as enhancing the relationships between parents and their children. TVB also attended the "Prevention of Hillfire and Conservation of Countryside Campaign" and helped raise public awareness on potential hillfire damages.

We will continue to organise and take part in meaningful community and charity activities to further demonstrate the caring spirit of the Group.

Tung Wah Charity Show

Artistes 88 Fund Raising Campaign

REVIEW OF OPERATIONS

FINANCIAL REVIEW

IMPORTANT EVENTS

On 29 April 2009, the Company entered into a joint venture and shareholders' agreement with Shaw Brothers (Hong Kong) Limited ("Shaw Brothers") for the establishment of a joint venture company ("JV Company") with the objective of producing motion pictures. The Company and Shaw Brothers will contribute equally to the funding required by the JV Company. The total capital contribution by the Company is expected not to exceed HK$20 million. Contribution by the Company will be made through internal funding. As at 31 December 2009, HK$7.5 million had been contributed to the JV Company through shareholders' advances.

On 30 June 2009, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to acquire 336,619,006 non-voting preferred shares of TVBPVH, representing 31% of the entire issued share capital of TVBPVH, from Enjoy Profits Limited at a cash consideration of HK$212.7 million. This consideration was based on the same valuation of TVBPVH when TVB Satellite TV Holdings Limited sold the 51% interest in TVBPVH to Enjoy Profits Limited and Dr. Charles Chan for HK$350 million in a transaction entered into on 21 April 2005. This acquisition, which increased the Group's economic interest in TVBPVH from 29% to 60%, was completed on 16 November 2009. As the transaction involved only the acquisition of non-voting preferred shares of TVBPVH, TVB's voting interest in TVBPVH remains at 15%. Accordingly, TVBPVH has continued to be treated as an associated company in the Group's financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Despite the volatile operating environment and the uncertainty brought by the global economic crisis, the Group maintains a strong financial position. Total equity stood at HK$5,819 million (2008: HK$5,634 million), representing an increase of approximately 3%. At 31 December 2009, the capital structure of the Company consisted of 438,000,000 ordinary shares of HK$0.05 each.

At 31 December 2009, the Group had bank and cash balances of HK$2,088 million (2008: HK$2,094 million). Approximately 11% of the bank and cash balances were maintained in overseas subsidiaries for their daily operation. Cash and cash equivalent balances at 31 December 2009 amounted to HK$1,894 million, of which 40% was in Hong Kong dollars, 51% in US dollars and 9% in various other currencies.

At 31 December 2009, the Group's net current assets amounted to HK$2,802 million (2008: HK$2,944 million), representing a decrease of approximately 5%. The current ratio, expressed as a percentage of current assets to current liabilities was 4.39 as at 31 December 2009 (2008: 5.34).

During the year, the Group spent HK$284 million (2008: HK$929 million) on capital expenditure, representing a decrease of approximately 69% when compared to that of last year. The significant capital expenditure in 2008 included the purchase of a property as headquarters of TVBS in Taiwan at a cost of approximately HK$662 million.

The Group's total borrowings at 31 December 2009 stood at HK$302 million (2008: HK$319 million) and comprised a secured bank loan, denominated in New Taiwan dollars with floating interest rates. This loan is related to the financing for the headquarters in Taiwan.

At 31 December 2009, the maturity profile of the Group's borrowings was as follows: within one year, HK$23 million (8%); in the second year, HK$23 million (8%); in the third to fifth years, HK$68 million (22%); over five years, HK$188 million (62%). At 31 December 2009, the gearing ratio, expressed as a ratio of gross debts to total equity, was 5% (2008: 6%).

At 31 December 2009, certain assets of a subsidiary of the Group with net asset value of HK$773 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposit balance of HK$7 million was pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

The capital commitments of the Group at 31 December 2009 amounted to HK$390 million (2008: HK$422 million).

TAX AUDIT

The Group had received protective profits tax assessment notices from the IRD for the five consecutive years of assessment from 1998/99 to 2002/03 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Out of the total tax demanded, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$24 million, HK$24 million, HK$20 million, HK$35 million and HK$49 million for the five consecutive years of assessment from 1998/99 to 2002/03 respectively, whereas unconditional holdovers have been granted for the remaining tax demanded of HK$74 million, HK$75 million, HK$66 million, HK$110 million and HK$160 million for the five consecutive years of assessment from 1998/99 to 2002/03 respectively.

The Group has filed objections to these assessments, and is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

Subsequently, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2003/04 in February 2010 with a total tax demand of HK$207 million. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

As a result of the recent exchange of information and discussion with the IRD during the year, Management obtained the IRD's initial view of the case and considered that a provision of HK$102 million against the tax exposures under question to be appropriate at 31 December 2009.

CONTINGENT LIABILITIES

At 31 December 2009, there were guarantees given to banks amounting to HK$10 million (2008: HK$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,252 (2008: 4,525) full-time employees at 31 December 2009.

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

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. A majority of the qualified personnel received discretionary bonuses equivalent to one half of their monthly basic salaries for the year 2009.

The Group does not operate any employee share option scheme.

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

Corporate Governance

DIRECTORS

Sir Run Run SHAW G.B.M.

Chairman (re-designated on 1 January 2010)
Executive Committee Member (resigned as the Committee Chairman on 1 January 2010)

aged 102, is one of the founding directors of the Company. He was the Executive Chairman of the Company between 1980 and 2009 and was re-designated as Chairman of the Company with effect from 1 January 2010. He was chairman of the Executive Committee of the Board between 1966 and 2009 and remains as a member of the Executive Committee. He is the Executive Chairman of Shaw Brothers (Hong Kong) Limited which was a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") until its withdrawal of listing on 19 March 2009, and President of the Shaw group of companies. Through the Shaw group, he holds a major interest in the share capital of the Company. Sir Run Run Shaw established The Shaw Foundation Hong Kong Limited in 1973 and is the Appointor of The Sir Run Run Shaw Charitable Trust. He is a Permanent Honorary Chairman of the Board of Trustees of United College of The Chinese University of Hong Kong and a Life Member of the Council of The Chinese University of Hong Kong. He is the husband of Ms. Mona Fong, the Deputy Chairperson and Managing Director of the Company.

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

Executive Deputy Chairman
Executive Committee Chairman (appointed as the Committee Chairman on 1 January 2010)

aged 69, was appointed a Director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. He is the Deputy Chairman of Transport International Holdings Ltd., which is listed on the Stock Exchange. He is also a director of Wing Lung Bank Ltd., a company listed on the Stock Exchange until its withdrawal of listing on 16 January 2009. Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002 and Council Chairman of City University of Hong Kong from 1997 to 2003. He is now the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.

Mona FONG

Deputy Chairperson and Managing Director
Alternate Director to Sir Run Run Shaw
(appointed as Alternate Director to Sir Run Run Shaw on 22 October 2009)
Executive Committee Member

aged 75, also known as Lee Mong Lan, has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000, and as Acting Managing Director and Managing Director on 31 May 2006 and 1 January 2009 respectively; and as Alternate Director to Sir Run Run Shaw on 22 October 2009. Ms. Fong is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited which was a company listed on the Stock Exchange until its withdrawal of listing on 19 March 2009, and Chairperson and Managing Director of the Shaw group of companies. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong. Ms. Fong is the wife of Sir Run Run Shaw, the Chairman of the Company.

Christina LEE LOOK Ngan Kwan

Non-executive Director
Executive Committee Member

aged 86, is the widow of the Founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became Director of the Company in 1981. She is a non-executive director of Sa Sa International Holdings Limited, a company listed on the Stock Exchange. Mrs. Lee is actively involved in Caritas, Hong Kong, a local charitable organisation. Mrs. Lee is the aunt of Mr. Chien Lee, an Independent Non-executive Director of the Company, and the mother of Mr. Anthony Lee Hsien Pin, an Alternate Director to her.

Dr. CHOW Yei Ching G.B.S.

Non-executive Director

aged 74, was appointed a Director of the Company in 2000. He is the founder and chairman of Chevalier group, which consists of two listed companies on the Stock Exchange – Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited. He is also an independent non-executive director of Towngas China Company Limited, a listed company on the Stock Exchange. He was appointed the Honorary Consul of The Kingdom of Bahrain in Hong Kong in 2001. Dr. Chow resigned as an independent non-executive director of Shaw Brothers (Hong Kong) Limited on 16 April 2009, which was a company listed on the Stock Exchange until its withdrawal of listing on 19 March 2009. He also resigned as an independent non-executive director of Van Shung Chong Holdings Limited, a listed company on the Stock Exchange, on 1 January 2010.

DIRECTORS

Kevin LO Chung Ping

Non-executive Director
Executive Committee Member
Audit Committee Member

aged 73, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed Director of the Company in November 1977. He is also a director of Gold Peak Industries (Holdings) Limited, a company listed on the Stock Exchange.

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

Independent Non-executive Director
Remuneration Committee Member

aged 54, was appointed Independent Non-executive Director of the Company in June 2006. He is the deputy chairman and chief executive of USI Holdings Limited, a non-executive director of Winsor Properties Holdings Limited, and an independent non-executive director of Orient Overseas (International) Limited, all of which are listed on the Stock Exchange. Mr. Cheng has many years of public service experience in urban renewal, finance, housing, corruption prevention, technology and education. Mr. Cheng is currently a member of the University Grants Committee.

Chien LEE

Independent Non-executive Director
Remuneration Committee Chairman
Audit Committee Member

aged 56, was appointed Independent Non-executive Director of the Company in March 2005. He is also non-executive director of Hysan Development Company Limited and Swire Pacific Limited, both listed on the Stock Exchange. Mr. Lee is also a Council Member of The Chinese University of Hong Kong. Mr. Lee is the nephew of Mrs. Christina Lee Look Ngan Kwan, a Non-executive Director of the Company and is a cousin of Mr. Anthony Lee Hsien Pin, an Alternate Director of the Company.

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

Independent Non-executive Director
Audit Committee Chairman
Remuneration Committee Member

aged 64, was appointed Independent Non-executive Director of the Company in July 2007. He is also an independent non-executive director of Transport International Holdings Limited and China Resources Enterprise, Limited, which are listed on the Stock Exchange. Mr. Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in 2002 with a service of over 36 years.

Vivien CHEN Wai Wai

Independent Non-executive Director (appointed on 1 September 2009)

aged 51, was appointed Independent Non-executive Director of the Company in September 2009. She is the Chairman and Managing Director of Nan Fung Group which was founded by her father, Dr. Chen Din-hwa. Ms. Chen is the Chairman of The D H Chen Foundation which was established in Hong Kong by her father to support worthy causes in education, medicine, welfare and the promulgation of Buddhism. In addition, she is the founder of her own foundation named The Chen Wai Wai Vivien Foundation Limited and is a trustee of her mother's foundation, Chen Yang Foo Oi Foundation Limited. Ms. Chen is also the Honorary President of both the Shanghai Fraternity Association and the International Ningbo Merchants Co. Ltd.; the Honorary Vice-President of the Shanghai Charity Foundation, a charity set up by the city of Shanghai; and one of the founders of the Hong Kong Eating Disorders Association Limited.

Anthony LEE Hsien Pin

Alternate Director to Mrs. Christina Lee Look Ngan Kwan

aged 52, is a director of Hysan Development Company Limited, a company listed on the Stock Exchange, and a director of Lee Hysan Estate Company Limited, and also a director and substantial shareholder of Australian-listed Beyond International Limited. He was appointed as Alternate Director to Mrs. Christina Lee Look Ngan Kwan in September 2002. He is the son of Mrs. Christina Lee Look Ngan Kwan, a Non-executive Director of the Company and is a cousin of Mr. Chien Lee, an Independent Non-executive Director of the Company.

DIRECTORS

Mark LEE Po On

Executive Director (appointed on 24 March 2010)
Executive Committee Member (appointed on 24 March 2010)
Group General Manager (appointed on 15 September 2009)

aged 54, joined TVB in early 2007 as General Manager – Finance and Administration. He was promoted to Group General Manager in September 2009. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants. During the period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. From 1988 to early 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of director and CEO of Asia Television Limited which was a former affiliate of the consortium.

SENIOR MANAGEMENT

Stephen CHAN Chi Wan

General Manager - Broadcasting

aged 51, first joined TVB as Controller, Programme and took on the added responsibilities of Controller, External Affairs in 1996. He was promoted to Assistant General Manager – Television Broadcasting in April 2002 and to General Manager – Broadcasting in April 2004. Mr. Chan has extensive experience in the administration, broadcasting and corporate communication field. Before joining TVB, Mr. Chan had worked in various departments of the Hong Kong Government for ten years and Hong Kong Commercial Broadcasting Limited.

CHEONG Shin Keong

General Manager - Broadcasting

aged 53, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising/marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He assumed the duties of General Manager – Broadcasting in April 2004. He is responsible for marketing and sales, and business development matters of the terrestrial television. He is a Fellow and Council Member of the Hong Kong Management Association and a Fellow of the Chartered Institute of Marketing.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company are terrestrial TV broadcasting, together with programme production and other TV-related activities. The principal activities of the major subsidiaries are detailed in Note 36 to the consolidated financial statements.

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

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 61. Movements in the reserves of the Group and the Company during the year are set out in Note 18 to the consolidated financial statements on page 97.

Distributable reserves of the Company at 31 December 2009, calculated under Section 79B of the Companies Ordinance of Hong Kong, amounted to HK$4,017,192,000 (2008: HK$3,825,904,000).

DIVIDENDS

The Directors recommended the payment of a final dividend of HK$1.35 per share for the 438,000,000 ordinary shares in issue of HK$0.05 each in respect of the year ended 31 December 2009. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 May 2010 ("AGM"), the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 26 May 2010. The dividend warrants will be despatched to shareholders on or around 2 June 2010.

Together with an interim dividend of HK$0.25 per share paid on 28 September 2009, the total dividend for the year will amount to HK$1.60 per share (2008: HK$1.70 per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 5 May 2010 to Wednesday, 26 May 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 4 May 2010.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$59,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 56.

REPORT OF THE DIRECTORS

DIRECTORS

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

Run Run Shaw#
Norman Leung Nai Pang*
Mona Fong* *(also as an Alternate Director to Sir Run Run Shaw)*
Christina Lee Look Ngan Kwan#
Chow Yei Ching#
Kevin Lo Chung Ping#
Edward Cheng Wai Sun^
Chien Lee^
Gordon Siu Kwing Chue^
Vivien Chen Wai Wai^ *(appointed on 1 September 2009)*
Mark Lee Po On* *(appointed on 24 March 2010)*
Anthony Lee Hsien Pin
(Alternate Director to Christina Lee Look Ngan Kwan)
Li Dak Sum ^ *(retired on 20 May 2009)*

* *Executive Directors*
\# *Non-executive Directors*
^ *Independent Non-executive Directors*

In accordance with Article 109 of Company's Articles of Association ("Articles"), Ms. Vivien Chen Wai Wai and Mr. Mark Lee Po On, who were appointed by the Board as an Independent Non-executive Director and as an Executive Director of the Company effective on 1 September 2009 and 24 March 2010 respectively, shall hold offices until the AGM and being eligible, offer themselves for election at the AGM.

In accordance with Article 114(A) of the Articles, Dr. Norman Leung Nai Pang and Mr. Edward Cheng Wai Sun shall retire at the AGM and being eligible, offer themselves for re-election at the AGM.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out on pages 34 to 38 of this Annual Report.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2009, interests and short positions of the Directors and chief executive of the Company in the shares of the Company as recorded in the register required to be kept pursuant to Section 352 of Part XV of the Securities and Futures Ordinance, Chapter 571 ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are set out below:

Long position in the shares of the Company

	Number of ordinary shares of HK$0.05 each held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued share capital (%)
Run Run Shaw	–	1,146,000#	141,174,828* (a)	–	142,320,828	32.49
Christina Lee Look Ngan Kwan	602,144	–	16,701,000 (b)	–	17,303,144	3.95
Mona Fong	1,146,000#	–	–	–	1,146,000	0.26
Chien Lee	400,000	–	–	–	400,000	0.09
Chow Yei Ching	100,000	–	–	–	100,000	0.02

Duplication of shareholdings occurred between parties # shown above and between parties * shown above and below under the sub-heading of "Interests and Short Positions of Other Persons in the Shares of the Company".

Notes:

(a) 113,888,628 shares were held by Shaw Brothers (Hong Kong) Limited and 27,286,200 shares were held by The Shaw Foundation Hong Kong Limited. Shaw Holdings Inc., directly and through its wholly owned subsidiaries, together with Ms. Mona Fong, the wife of Sir Run Run Shaw, have total equity interest of 100% in Shaw Brothers (Hong Kong) Limited. Shaw Holdings Inc. also holds 100% equity interest in The Shaw Foundation Hong Kong Limited. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

(b) 10,377,000 shares were held by Trio Investment Corporation S.A., 1,581,000 shares were held by Crystal Investments Limited, 3,162,000 shares were held by Compass Inc. and 1,581,000 shares were held by Bonus Inc. and in respect of such shares only, directors of these companies are all accustomed to act in accordance with the directions of Mrs. Christina Lee Look Ngan Kwan.

The Company and any of its subsidiaries did not operate any employee share option scheme, and therefore, none of the Directors or chief executive of the Company had been granted any right to subscribe for the securities of the Company and its associated corporations (within the meaning of the SFO) during the year.

Save for the disclosed above, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2009.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN THE SHARES OF THE COMPANY

At 31 December 2009, interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO are set out below:

Long position in the shares of the Company

Name	Number of ordinary shares of HK$0.05 each held	Percentage of issued share capital (%)
Shaw Brothers (Hong Kong) Limited	113,888,628*	26.00
The Shaw Foundation Hong Kong Limited	27,286,200*	6.23
Dodge & Cox	27,065,000 (a)	6.18
Silchester International Investors Limited	22,143,000 (a)	5.06
Marathon Asset Management	21,965,135 (a)	5.01

Duplication of shareholdings occurred between parties * shown here and above under the sub-heading of “Directors’ Interests in the Shares of the Company”.

Note (a): Interests were held in the capacity of investment managers.

Save for the disclosed above, none of the other person had any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO as at 31 December 2009.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Connected Transactions

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

1. Continuing connected transactions with MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")

   (a) On 30 September 2004, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company, and MBNS, an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, entered into an agreement, pursuant to which TVBI would supply television programmes to MBNS for broadcast in Malaysia and Brunei on a channel owned and operated by MBNS for a period of five years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addenda to the agreement were entered into between the parties for clarification of the base month upon which the subscribers guarantee would be calculated, and for calculation of increase in revenue sharing receivable by TVBI in respect of revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2009 up to the expiry date of 30 September 2009 was HK$61,421,000 (MYR27,929,000).

   (b) On 30 September 2004, TVBI, acting as an agent of Liann Yee Production Co., Ltd. ("LYP"), a wholly-owned subsidiary of the Company, and MBNS entered into an agreement, pursuant to which TVBI would supply a Mandarin language channel to MBNS, for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of five years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addenda to the agreement were entered into between the parties for clarification of the base month upon which the subscribers guarantee would be calculated, and for calculation of the increase in revenue sharing receivable by LYP in respect of revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2009 up to the expiry date of 30 September 2009 was HK$21,421,000 (MYR9,740,000).

   (c) On 30 September 2004, TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company, and MBNS entered into an agreement, pursuant to which TVBSE would supply two Mandarin language channels to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of five years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement was entered into between the parties for calculation of the increase in revenue sharing receivable by TVBSE in respect of revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2009 up to the expiry date of 30 September 2009 was HK$31,591,000 (MYR14,365,000).

   (d) On 30 September 2004, MBNS and TVBSE entered into an agreement, pursuant to which MBNS appointed TVBSE as its advertising agent responsible for the recruitment of advertisements and sponsorship for certain channels broadcast by MBNS in Malaysia and Brunei for a period of five years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2009 up to the expiry date of 30 September 2009 was HK$35,893,000 (MYR16,321,000).

   (e) On 30 September 2004, each of TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both are wholly-owned subsidiaries of the Company, and MBNS entered into separate agreement, pursuant to which MBNS appointed TVBOF and TVBSB respectively to provide management services to MBNS for a period of five years from 1 October 2004 to 30 September 2009, at a fixed fee for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2009 and up to the expiry date of 30 September 2009 was HK$24,345,000 (MYR11,070,000).

(f) On 4 April 2007, TVBI and MBNS entered into a binding deal memorandum pursuant to which TVBI agreed to (i) supply to MBNS a maximum of 600 hours of television programmes per year produced or co-produced by TVB for transmission and exhibition by MBNS in Cantonese language by means of Video-on-Demand and Near Video-on-Demand on an exclusive basis in Malaysia and Brunei; (ii) provide marketing and consultancy services to MBNS; and (iii) procure TVBOF to provide facilities services to MBNS, during a period of 5 years from 1 January 2007 to 31 December 2011. The income accrued by TVBI and TVBOF during the year ended 2009 was HK$47,650,000 (MYR21,667,000).

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

The Company's auditors have also reviewed the above transactions described in paragraphs 1(a) to (f) and confirmed in their letter to the Directors that those transactions:

(i) have received the approval of the Board of Directors of the Company;

(ii) are in accordance with the pricing policies stated in the relevant agreements governing them or set by the Board of Directors of the Company from time to time;

(iii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have not exceeded the relevant caps as disclosed in the previous announcements.

2. Connected transactions with Shaw Brothers (Hong Kong) Limited ("Shaw Brothers")

   On 5 May 2009, the Company announced that on 29 April 2009, the Company had entered into a joint venture and shareholders' agreement with Shaw Brothers (a substantial shareholder and a connected person of the Company) and Concept Legend Limited to form a joint venture company known as Concept Legend Limited for the production of motion pictures. The Company and Shaw Brothers would contribute equally to all funding required by the joint venture company and the total capital contribution by the Company to the joint venture company was expected not to exceed HK$20,000,000.

3. Connected transactions with MBNS

   On 13 October 2009, the Company announced that the six agreements described in above paragraphs 1(a) to (e) above which expired on 30 September 2009 had been extended for a period of three months to 31 December 2009, on the same terms and conditions of the respective agreements. The aggregate income accrued by the respective companies during the three months period from 1 October 2009 to 31 December 2009 was HK$61,133,000 (MYR27,798,000).

4. Connected transactions with Sharp-Roxy (Hong Kong) Limited ("Sharp-Roxy")

   On 12 November 2009, the Company announced that Sharp-Roxy, a connected person, purchased advertising airtime and sponsorship packages from the Company on the Company's free and pay television channels in Hong Kong through its advertising agent for an aggregate net amount of approximately HK$6,044,980 for the 12-month period prior to the transaction on or about 28 October 2009.

Save for the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or a substantial shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation. No share options of the Company have been granted to the Directors during the year.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 24 to the consolidated financial statements on page 106 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on page 45 of this Annual Report.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee and the Remuneration Committee of the Board of the Company and their work done during the year are set out in the Corporate Governance Report on pages 49 to 53 of this Annual Report.

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 24 March 2010, there were 287 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentages of the Group's purchases and sales attributable to its five largest suppliers and five largest customers are both less than 30%.

AUDITORS

The consolidated financial statements for the year ended 31 December 2009 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the AGM.

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 24 March 2010

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY

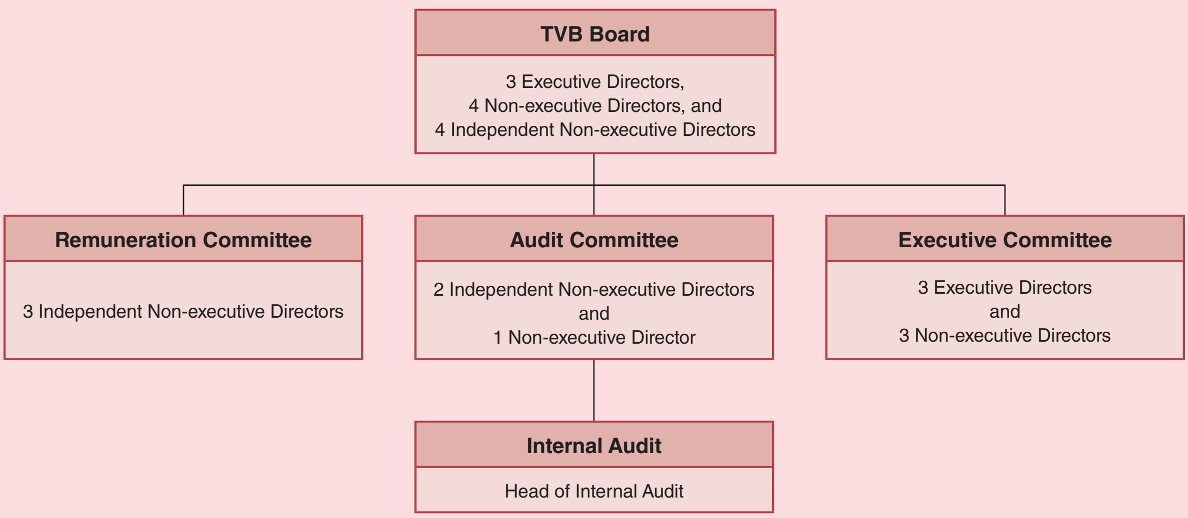
Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders.

The Company adopted its own code on corporate governance which, save for one of the code provisions (as disclosed under the sub-paragraph of "Compliance with Code on Corporate Governance" in this report), complies with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules ("CG Code").

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

GOVERNANCE STRUCTURE

The Governance Structure of the Company as at the date of this report is as follows:



CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company first adopted its own code on corporate governance ("TVB CG Code") in 2005. It was subsequently superseded by a revised TVB CG Code adopted on 11 November 2009 ("TVB CG Code 2009") which includes amendments to TVB CG Code of a house-keeping nature, bringing the TVB CG Code in line with the CG Code.

TVB CG Code 2009 is in compliance with all the code provisions of the CG Code, save that the Chairman is not subject to retirement (as required under code provision A.4.2). Pursuant to Article 114(C) of the Articles, the Chairman is exempted from retirement. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business.

Throughout 2009, the Company fully complied with all code provisions set out in the CG Code, except that the Chairman is exempted from retirement for the reason as above mentioned.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

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

During the year under review, the Board has adopted a revised Model Code including the amendments in relation to the extensions of the black-out period before the dates of publication of annual and interim results, following the amendments to the Listing Rules.

Ms. Vivien Chen Wai Wai, who was appointed as an Independent Non-executive Director of the Company on 1 September 2009, confirmed, following specific enquiry by the Company, that she had complied with the Model Code throughout the period between 1 September 2009, the date of her appointment, and 31 December 2009.

Dr. Li Dak Sum, who retired as an Independent Non-executive Director of the Company on 20 May 2009, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1 January 2009 and 20 May 2009.

Mr. George Chan Ching Cheong, who retired as Assistant Managing Director of the Company on 31 July 2009, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1 January 2009 and 31 July 2009.

All other Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

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

Composition

As at the date of this report, the Board comprises:

Run Run Shaw#
Norman Leung Nai Pang*
Mona Fong* *(also as an Alternate Director to Sir Run Run Shaw)*
Christina Lee Look Ngan Kwan#
Chow Yei Ching#
Kevin Lo Chung Ping#
Edward Cheng Wai Sun^
Chien Lee^
Gordon Siu Kwing Chue^
Vivien Chen Wai Wai^ *(appointed on 1 September 2009)*
Mark Lee Po On* *(appointed on 24 March 2010)*
Anthony Lee Hsien Pin
(Alternate Director to Christina Lee Look Ngan Kwan)

* *Executive Directors*
\# *Non-executive Directors*
^ *Independent Non-executive Directors*

Biographical details of Directors are set out on pages 34 to 38 of this Annual Report.

During the year under review, Ms. Mona Fong, the Deputy Chairperson of the Company, was appointed as the Managing Director of the Company with effect from 1 January 2009. She has been the Acting Managing Director of the Company between 31 May 2006 and 31 December 2008, upon the resignation of the former Managing Director. She was also appointed as Alternate Director to Sir Run Run Shaw on 22 October 2009.

Dr. Li Dak Sum retired as an Independent Non-executive Director of the Company as from the conclusion of the 2009 annual general meeting of the Company held on 20 May 2009.

Ms. Vivien Chen Wai Wai was appointed as an Independent Non-executive Director of the Company on 1 September 2009.

Sir Run Run Shaw was re-designated as the Chairman of the Company on 1 January 2010. He was the Executive Chairman of the Company between 1980 and 2009.

Mr. Mark Lee Po On was appointed as an Executive Director of the Company on 24 March 2010.

Board Meetings

The Board normally holds five regular meetings annually, and meets at such other times as are necessary. Five Board meetings were held during the year ended 31 December 2009. The attendance records of Directors at the Board meetings in 2009 are set out below:

Director	Attendance of meetings
Executive Directors	
Run Run Shaw *(with Ms. Mona Fong as alternate)*	3/5
Norman Leung Nai Pang	5/5
Mona Fong	5/5
Non-executive Directors	
Christina Lee Look Ngan Kwan *(with Mr. Anthony Lee Hsien Pin as alternate)*	5/5
Chow Yei Ching	4/5
Kevin Lo Chung Ping	4/5
Independent Non-executive Directors	
Edward Cheng Wai Sun	5/5
Chien Lee	4/5
Gordon Siu Kwing Chue	5/5
Vivien Chen Wai Wai[1]	2/2
Li Dak Sum[2] *(retired)*	1/2

Notes:

1 Ms. Vivien Chen Wai Wai was appointed an Independent Non-executive Director on 1 September 2009. Two Board meetings were held during the period between 1 September 2009 and 31 December 2009.

2 Dr. Li Dak Sum retired as an Independent Non-executive Director of the Company as from the conclusion of the Company's annual general meeting held on 20 May 2009. Two Board meetings were held during the period between 1 January 2009 and 20 May 2009.

Directors' Responsibilities

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

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

The Board sets the strategic direction of the Company and monitors the performance of the Group's business and management; and ensures that a risk management framework is in place. The Board exercises a number of reserved approval powers over matters which include:

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

Delegation to Management

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

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of Senior Management; and
- discharging duties and authorities as may be delegated by the Board.

Directors' Independence

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

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

Relationship among Directors

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

- husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong;
- former Directorship of Dr. Chow Yei Ching in Shaw Brothers, a substantial shareholder of the Company, which is controlled 100% by Sir Run Run Shaw (Dr. Chow resigned as an independent non-executive director of Shaw Brothers with effect from 16 April 2009);
- mother-son relationship between Mrs. Christina Lee Look Ngan Kwan and Mr. Anthony Lee Hsien Pin;
- aunt-nephew relationship between Mrs. Christina Lee Look Ngan Kwan and Mr. Chien Lee; and
- cousin relationship between Mr. Chien Lee and Mr. Anthony Lee Hsien Pin.

SEGREGATION OF DUTIES OF THE CHAIRMAN AND THE MANAGING DIRECTOR

The roles of the Chairman and the Managing Director are segregated and clearly defined, as set out in the TVB CG Code 2009.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Pursuant to the Articles, all Directors (excepted for the Chairman who is, pursuant to Article 114(C) of the Articles, exempted from retirement) shall be subject to retirement at least once every three years but shall be eligible for re-election at an annual general meeting of the Company.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

Pursuant to Article 109 of the Articles, Ms. Vivien Chen Wai Wai and Mr. Mark Lee Po On, who were appointed by the Board as an Independent Non-executive Director and as an Executive Director of the Company effective on 1 September 2009 and 24 March 2010 respectively, shall hold offices until the AGM and being eligible, offer themselves for election at the AGM.

Pursuant to Article 114(A), of the Articles, Dr. Norman Leung Nai Pang and Mr. Edward Cheng Wai Sun shall retire at the AGM and being eligible, offer themselves for re-election at the AGM.

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

BOARD COMMITTEES

The Board is supported by three Board Committees, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Each of them has defined terms of reference covering its duties, powers and functions. The terms of reference of each Committee are available on the Company's website.

Major roles and functions, composition and operating mode of the Board Committees are set out below.

Executive Committee

Major roles and functions

- nominates suitably qualified candidates to become Directors;
- establishes and considers changes to company-wide policies;
- considers corporate plans and budgets; and
- considers actual or potential, major exception or occurrence which has, or may have, major impact on the business and operation of the Company.

Composition

The Executive Committee comprises six members. Committee members as at the date of this report are as follows:

Norman Leung Nai Pang *(Chairman)*
(appointed as Committee Chairman on 1 January 2010)
Run Run Shaw
(resigned as Committee Chairman on 1 January 2010)
Mona Fong
Christina Lee Look Ngan Kwan
Kevin Lo Chung Ping
Mark Lee Po On *(appointed as member on 24 March 2010)*

Committee meetings

The Executive Committee normally meets five times annually, and at such other times as are necessary.

The Executive Committee held five meetings during the year ended 31 December 2009 and dealt with the following matters:

- reviewed the Group's cash deposits position;
- made recommendation to the Board for dividend payments; and
- nominated the appointment of Independent Non-executive Director to the Board for approval.

The attendance records of Directors at the Executive Committee meetings in 2009 are set out below:

Director	Attendance of meetings
Executive Directors	
Run Run Shaw[1] *(Chairman)* *(with Ms. Mona Fong as alternate)*	3/5
Norman Leung Nai Pang[2]	5/5
Mona Fong	5/5
Non-executive Directors	
Christina Lee Look Ngan Kwan *(with Mr. Anthony Lee Hsien Pin as alternate)*	5/5
Kevin Lo Chung Ping	4/5

Notes:

1 Sir Run Run Shaw was re-designated as the Non-executive Chairman of the Company and also resigned as the Chairman of Executive Committee with effect from 1 January 2010. He remains as a member of the Executive Committee.

2 Dr. Norman Leung Nai Pang was appointed as the Chairman of Executive Committee with effect from 1 January 2010.

The Executive Committee approved at its meeting on 24 March 2010 to nominate the appointment of an Executive Director to the Board for approval.

Remuneration Committee

Major roles and functions

- formulates Senior Management's remuneration policy and makes recommendations on annual remuneration review; and
- determines remuneration of Executive Directors and members of Senior Management.

Composition

The Remuneration Committee comprises three members who are Independent Non-executive Directors of the Company. Committee members as at the date of this report are as follows:

Chien Lee *(Chairman)*
Edward Cheng Wai Sun
Gordon Siu Kwing Chue

Committee meetings

The Remuneration Committee meets at least once a year, and at such other times as are necessary.

During the year ended 31 December 2009, the Remuneration Committee held one meeting and dealt with the following matters at the said meeting or by way of written resolutions:

- reviewed and approved the discretionary bonuses to Senior Management and senior executives for 2008;
- reviewed and approved the renewed employment contract of General Manager;
- reviewed and determined the fee payable to the Chairman;
- reviewed and approved the remuneration package of the Managing Director; and
- reviewed and approved the renewed employment contract of the Executive Deputy Chairman.

The attendance records of Directors at the Remuneration Committee meetings in 2009 are set out below:

Director	Attendance of meetings
Independent Non-executive Directors	
Chien Lee *(Chairman)*	1/1
Edward Cheng Wai Sun	1/1
Gordon Siu Kwing Chue	1/1

The Remuneration Committee held a meeting on 20 January 2010 and dealt with the following matters:

- reviewed and approved the discretionary bonuses to Senior Management and senior executives for 2009;
- reviewed and approved the discretionary bonus to the Executive Deputy Chairman for 2009; and
- reviewed and recommended increases in the fees for Directors and members of certain Board Committees.

Group's remuneration policies

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

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

Remuneration of directors

The Executive Directors (except for the Chairman) are remunerated in salaries and/or Directors' fees which are inclusive of all services provided to the Board and the Board Committees.

The Chairman is remunerated by way of a fixed fee. Other Executive Directors are remunerated by way of salaries and other incentives, such as discretionary bonus and provident fund. The Chairman and Executive Directors are not entitled to an additional fee for serving on the Board Committees.

Except for the Chairman, all other Non-executive Directors are remunerated by a fixed Directors' fee and Board Committee fees, if they also serve those Committees.

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

The current level of annual fees paid to the Directors for serving on the Board and the additional annual fees paid to Non-executive Directors for serving on the Board Committees for the year ended 31 December 2009, and the new annual fees are set out below:

Individual Director serving	Current Fees HK$	New Fees (effective on 1 January 2010) HK$
Board of Directors		
Chairman	900,000	**500,000** [1]
Deputy Chairperson	200,000 [2]	**120,000** [3]
Executive and Non-executive Directors	100,000	**120,000** [3]
Executive Committee		
Chairman	–	**–**
Members	75,000	**75,000**
Audit Committee		
Chairman	140,000	**140,000**
Members	80,000	**90,000** [4]
Remuneration Committee		
Chairman	40,000	**40,000**
Members	30,000	**30,000**

Notes:

1 Due to the re-designation of Sir Run Run Shaw as the Executive Chairman to Non-executive Chairman with effect from 1 January 2010, Remuneration Committee proposed at its meeting held on 26 August 2009, the reduction of fee payable to the Chairman from HK$900,000 per annum to HK$500,000 per annum (which is inclusive of all services provided to the Board and the Board Committee) with effect from 1 January 2010, subject to shareholders' approval at the AGM.

2 This includes an allowance of HK$100,000, which was removed from the Director's fee from 1 September 2009.

3 Remuneration Committee at its meeting held on 20 January 2010 proposed the increase of fees payable to Directors to HK$120,000 per annum with effect from 1 January 2010, subject to shareholders' approval at the AGM.

4 On the recommendation of the Remuneration Committee after its meeting held on 20 January 2010, the Board approved the increase of the fees payable to members of the Audit Committee from HK$80,000 per annum to HK$90,000 per annum with effect from 1 January 2010.

The Company did not operate any employee share option scheme and therefore, no share options of the Company had been granted to Directors or Senior Management in 2009. Details of the Directors' and Senior Management's emoluments are set out on pages 106 to 107 of the Notes to the Consolidated Financial Statements.

NOMINATION OF DIRECTORS

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

On the recommendation of the Executive Committee, the Board resolved at its meeting held on 10 December 2008, to appoint Ms. Mona Fong, the Deputy Chairperson and a member of the Executive Committee, as the Managing Director of the Company with effect from 1 January 2009. Ms. Fong has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000 and Acting Managing Director on 31 May 2006.

On the recommendation of the Executive Committee, the Board resolved at its meeting held on 26 August 2009, to appoint Ms. Vivien Chen Wai Wai as an Independent Non-executive Director of the Company with effect from 1 September 2009.

On the recommendation of the Executive Committee, the Board resolved at its meeting held on 24 March 2010, to appoint Mr. Mark Lee Po On as an Executive Director of the Company with effect from 24 March 2010.

The Executive Committee made reference to criteria including, inter alia, reputation for integrity, background, accomplishment and experience in the commercial industry, and time commitment and relevant interest, and considered that Ms. Fong, Ms. Chen and Mr. Lee would be the suitable candidates to fill the said positions.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit services have been approved by the Audit Committee, whilst the fees for non-audit services are estimates made by Management. Please refer to the tables set out below in respect of the fees for audit and non-audit services:

Fees for audit services

	2009 HK$'000	2008 HK$'000
Company	**1,260**	1,260
Subsidiaries	**2,563**	2,880
Total	**3,823**	4,140
Fees payable to PricewaterhouseCoopers, the principal auditors	**3,156**	3,657

Fees for non-audit services

	2009 HK$'000	2008 HK$'000
Company	**252**	279
Subsidiaries	**2,742**	1,517
Total	**2,994**	1,796
Fees payable to PricewaterhouseCoopers, the principal auditors	**2,383**	1,477

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

Audit Committee

Major roles and functions

- reviews appointment of external auditors and ensure continuing auditor's independence;
- assists the Board in fulfilling its responsibilities by providing independent review and supervision on financial reporting and effectiveness of the Group's internal control system; and
- reviews objectivity and effectiveness of audit process in accordance with applicable standards.

Composition

The Audit Committee comprises three members, the majority of whom are Independent Non-executive Directors of the Company. Committee members as at the date of this report are as follows:

Gordon Siu Kwing Chue *(Chairman)*
Chien Lee
Kevin Lo Chung Ping

Members of the Audit Committee are experienced in reviewing and analysing financial information.

During the year ended 31 December 2009, the Board approved certain amendments to the terms of reference of the Audit Committee to include its responsibility of overseeing the adequacy of staffing of the Company's accounting and financial reporting functions.

Committee meetings

The Audit Committee meets at least twice a year, and at such other times as are necessary.

The Audit Committee held three meetings during the year ended 31 December 2009 and dealt with the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts;
- reviewed draft financial statements and results announcements;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the external audit;
- reviewed and discussed audit findings and significant issues;
- reviewed and recommended proposed amendments to the terms of reference of the Audit Committee for Board's approval;

- reviewed the adequacy and effectiveness of the Group's system of internal controls; and
- made recommendation to the Board regarding appointment and remuneration of the external auditors.

The attendance records of Directors at the Audit Committee meetings in 2009 are set out below:

Director	Attendance of meetings
Independent Non-executive Directors	
Gordon Siu Kwing Chue *(Chairman)*	3/3
Chien Lee	3/3
Non-executive Director	
Kevin Lo Chung Ping	2/3

The reporting responsibilities of PricewaterhouseCoopers, the external auditors, are set out in the Independent Auditors' Report on page 57 of this Annual Report.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

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

FINANCIAL REPORTING AND AUDIT

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

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

INTERNAL CONTROLS

Responsibility

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

Key Control Processes

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

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

- establishment of a clear organisation structure with well defined lines of responsibilities from the Board to Board Committees, Management, and the heads of operating subsidiaries/divisions;
- documentation of a comprehensive set of internal control procedures covering all business operations of the Group;
- establishment of a comprehensive monthly management reporting system to provide financial and operational performance data to Management. Variances from targets are analysed, explained, and improvement actions are taken, if necessary, to rectify deficiencies;
- regular monitoring and assessment of effectiveness of the system of internal controls by considering the reviews performed by the Audit Committee, Management, internal auditors and external auditors, as appropriate; and
- adoption of TVB Code of Ethics governing the conduct of staff members and setting the standards of integrity and professionalism.

Monitoring Controls and Group Internal Audit

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

To assist the Board in its monitoring control function, the Group set up an internal audit department ("Internal Audit") in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group's business operations.

To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters. Other key principles, including the principles of accountability and objectivity, under which Internal Audit is refrained from involving in daily operations being audited, have been firmly established in the Group's Internal Audit Charter approved by the Audit Committee.

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

Internal Audit may from time to time liaise and work with relevant regulatory bodies with a view to enhancing its corporate governance and internal control systems, as well as protecting the Group's assets and shareholders' interests.

On 11 March 2010, four employees of the Group were involved in an investigation conducted by Independent Commission Against Corruption in respect of certain alleged corrupt practice ("investigation"). The Company wishes to confirm that it is not aware of material misstatement to the consolidated financial statements of the Group for the year ended 31 December 2009 as a result of this investigation.

2009 Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31 December 2009, covering financial, operational and compliance controls, together with risk management functions ("Control Review").

This Control Review was conducted by way of a risk and control self-assessment, whereby key business and operational risks identified in a comprehensive risk assessment survey were mapped to relevant control activities and procedures.

Evaluations were then performed to assess whether the design and functioning of these control activities are sufficient to mitigate the risks identified.

Based on the outcome of the review, the Board is satisfied that the internal controls within the Group are functioning in a sound and effective manner to safeguard the Group's assets and shareholders' investment.

CORPORATE COMMUNICATION

Disclosure of Information

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

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

General Meetings

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the best corporate governance practices. Pursuant to the revised Listing Rules, the notice of annual general meetings is sent to all shareholders at least 20 clear business days before the meetings, and at least 10 clear business days for all other general meetings setting out details of each proposed resolution, poll procedures and other relevant information. Voting by poll is mandatory at all general meetings. The poll procedures are explained during the meetings. Poll results are released on the designated issuer website of the Stock Exchange and the website of the Company, in accordance with the requirements under the Listing Rules.

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

Investor Relations

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

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 24 March 2010

Financial Information

FIVE-YEAR FINANCIAL REVIEW

	2009 HK$'mil	2008 HK$'mil	2007 HK$'mil	2006 HK$'mil	2005 HK$'mil
Turnover	**3,983**	4,407	4,326	4,201	4,177
Profit before income tax	**1,221**	1,286	1,550	1,436	1,420
Income tax expense	**321**	230	284	247	232
Profit attributable to equity holders of the Company	**900**	1,055	1,264	1,189	1,180
Earnings per share	**HK$2.06**	HK$2.41	HK$2.89	HK$2.71	HK$2.69
Property, plant and equipment	**2,346**	2,323	1,722	1,731	1,896
Leasehold land	**203**	209	186	184	188
Goodwill	**163**	161	163	162	161
Interests in associates	**676**	376	85	150	246
Other non-current assets	**26**	52	76	32	31
Current assets	**3,629**	3,621	4,019	3,428	2,800
Current liabilities	**(827)**	(678)	(741)	(676)	(749)
	6,216	6,064	5,510	5,011	4,573
Share capital	**22**	22	22	22	22
Reserves	**5,771**	5,586	5,322	4,823	4,360
Shareholders' funds	**5,793**	5,608	5,344	4,845	4,382
Minority interest	**25**	26	25	23	23
Non-current liabilities	**398**	430	141	143	168
	6,216	6,064	5,510	5,011	4,573

INDEPENDENT AUDITORS' REPORT

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 120, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,345,621**	2,322,872
Leasehold land	7	**203,466**	208,922
Goodwill	8	**163,248**	161,145
Interests in jointly controlled entity	10	**7,500**	–
Interests in associates	11	**675,830**	375,674
Available-for-sale financial assets	12	**3**	3
Deferred income tax assets	21	**17,995**	16,925
Prepayment	14	**–**	35,182
		3,413,663	3,120,723
Current assets			
Programmes and film rights		**366,133**	412,219
Stocks	13	**13,056**	12,952
Trade and other receivables, prepayments and deposits	14	**1,152,715**	1,095,718
Tax recoverable		**2,802**	1,716
Pledged bank deposits	15	**7,002**	5,158
Bank deposits maturing after three months		**194,179**	130,422
Cash and cash equivalents	16	**1,893,586**	1,963,094
		3,629,473	3,621,279
Total assets		**7,043,136**	6,742,002
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	**21,900**	21,900
Other reserves	18	**723,094**	696,886
Retained earnings			
– Proposed final dividend	29	**591,300**	613,200
– Others		**4,457,097**	4,276,314
		5,793,391	5,608,300
Minority interest		**25,234**	25,613
Total equity		**5,818,625**	5,633,913
LIABILITIES			
Non-current liabilities			
Borrowings	20	**279,030**	296,357
Deferred income tax liabilities	21	**111,713**	124,394
Retirement benefit obligations	22	**6,706**	9,563
		397,449	430,314

	Note	2009 HK$'000	2008 HK$'000
Current liabilities			
Trade and other payables and accruals	19	**640,153**	593,810
Current income tax liabilities		**164,131**	61,598
Borrowings	20	**22,778**	22,367
		827,062	677,775
Total liabilities		**1,224,511**	1,108,089
Total equity and liabilities		**7,043,136**	6,742,002
Net current assets		**2,802,411**	2,943,504
Total assets less current liabilities		**6,216,074**	6,064,227

The consolidated financial statements on pages 58 to 120 were approved by the Board of Directors on 24 March 2010 and were signed on its behalf.

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,417,030**	1,512,766
Leasehold land	7	**197,300**	202,592
Interests in subsidiaries	9	**521,538**	336,788
Interests in jointly controlled entity	10	**7,500**	–
Interests in associates	11	**721,594**	569,212
		2,864,962	2,621,358
Current assets			
Programmes and film rights		**333,469**	365,582
Stocks	13	**3,099**	2,209
Trade and other receivables, prepayments and deposits	14	**679,415**	645,432
Bank deposits maturing after three months		**68,143**	90,713
Cash and cash equivalents	16	**1,347,991**	1,318,753
		2,432,117	2,422,689
Total assets		**5,297,079**	5,044,047
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	**21,900**	21,900
Other reserves	18	**712,144**	712,144
Retained earnings			
– Proposed final dividend	29	**591,300**	613,200
– Others		**3,355,892**	3,142,704
Total equity		**4,681,236**	4,489,948
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**88,460**	100,536
		88,460	100,536
Current liabilities			
Trade and other payables and accruals	19	**482,230**	418,439
Current income tax liabilities		**45,153**	35,124
		527,383	453,563
Total liabilities		**615,843**	554,099
Total equity and liabilities		**5,297,079**	5,044,047
Net current assets		**1,904,734**	1,969,126
Total assets less current liabilities		**4,769,696**	4,590,484

The consolidated financial statements on pages 58 to 120 were approved by the Board of Directors on 24 March 2010 and were signed on its behalf.

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
Turnover	5	**3,983,332**	4,407,304
Cost of sales		**(1,780,942)**	(2,025,045)
Gross profit		**2,202,390**	2,382,259
Other revenues	5	**39,353**	70,415
Selling, distribution and transmission costs		**(455,506)**	(507,396)
General and administrative expenses		**(504,590)**	(569,764)
Other gains/(losses), net		**9,204**	(18,928)
Finance costs	25	**(4,498)**	(7,581)
Share of losses of associates		**(64,971)**	(63,174)
Profit before income tax	23	**1,221,382**	1,285,831
Income tax expense	26	**(320,626)**	(229,544)
Profit for the year		**900,756**	1,056,287
Profit attributable to:			
Equity holders of the Company	27	**900,444**	1,055,348
Minority interest		**312**	939
		900,756	1,056,287
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	28	**HK$2.06**	HK$2.41
Dividends	29	**700,800**	744,600

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**900,756**	1,056,287
Other comprehensive income:		
Currency translation differences	**7,427**	(2,724)
Other comprehensive income for the year	**7,427**	(2,724)
Total comprehensive income for the year	**908,183**	1,053,563
Total comprehensive income attributable to:		
Equity holders of the Company	**907,791**	1,052,715
Minority interest	**392**	848
Total comprehensive income for the year	**908,183**	1,053,563

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
Balance at 1 January 2008	21,900	685,832	4,636,253	5,343,985	24,765	5,368,750
Comprehensive income:						
Profit for the year	–	–	1,055,348	1,055,348	939	1,056,287
Other comprehensive income:						
Currency translation differences	–	(2,633)	–	(2,633)	(91)	(2,724)
Total comprehensive income	–	(2,633)	1,055,348	1,052,715	848	1,053,563
Transactions with owners:						
Transfer (Note 18(a))	–	13,687	(13,687)	–	–	–
2007 final dividend paid	–	–	(657,000)	(657,000)	–	(657,000)
2008 interim dividend paid	–	–	(131,400)	(131,400)	–	(131,400)
Total transactions with owners	–	13,687	(802,087)	(788,400)	–	(788,400)
Balance at 31 December 2008	21,900	696,886	4,889,514	5,608,300	25,613	5,633,913
Balance at 1 January 2009	21,900	696,886	4,889,514	5,608,300	25,613	5,633,913
Comprehensive income:						
Profit for the year	–	–	900,444	900,444	312	900,756
Other comprehensive income:						
Currency translation differences	–	7,347	–	7,347	80	7,427
Total comprehensive income	–	7,347	900,444	907,791	392	908,183
Transactions with owners:						
Transfer (Note 18(a))	–	18,861	(18,861)	–	–	–
Increase in shareholdings	–	–	–	–	(71)	(71)
2008 final dividend paid	–	–	(613,200)	(613,200)	(700)	(613,900)
2009 interim dividend paid	–	–	(109,500)	(109,500)	–	(109,500)
Total transactions with owners	–	18,861	(741,561)	(722,700)	(771)	(723,471)
Balance at 31 December 2009	**21,900**	**723,094**	**5,048,397**	**5,793,391**	**25,234**	**5,818,625**

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**1,430,369**	1,587,862
Interest paid		**(4,598)**	(7,278)
Hong Kong tax paid		**(135,228)**	(182,801)
Overseas taxation paid		**(97,586)**	(67,376)
Net cash generated from operating activities		**1,192,957**	1,330,407
Cash flows from investing activities			
Purchases of property, plant and equipment		**(249,304)**	(943,168)
Funds advanced to a jointly controlled entity		**(7,500)**	–
Increased investment in an associate		**(212,745)**	–
Increased investment in a non wholly-owned subsidiary		**(120)**	–
(Increase)/decrease in bank deposits maturing after three months		**(63,757)**	1,261
Loan repayments received from an investee company		**–**	3,190
Prepaid operating lease payments for leasehold land		**–**	(28,301)
Proceeds from sales of property, plant and equipment		**1,395**	1,695
Interest received		**11,284**	52,487
Net cash used in investing activities		**(520,747)**	(912,836)
Cash flows from financing activities			
Proceeds from long-term bank loans		**–**	359,426
Repayments of long-term bank loans		**(22,157)**	(17,563)
Increase in pledged bank deposits		**(1,844)**	(3,466)
Dividends paid to equity holders of the Company		**(722,700)**	(788,400)
Dividends paid to minority shareholders of a non wholly-owned subsidiary		**(700)**	–
Net cash used in financing activities		**(747,401)**	(450,003)
Net decrease in cash and cash equivalents		**(75,191)**	(32,432)
Cash and cash equivalents at 1 January		**1,963,094**	2,008,895
Effect of foreign exchange rate changes		**5,683**	(13,369)
Cash and cash equivalents at 31 December		**1,893,586**	1,963,094

The notes on pages 65 to 120 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Television Broadcasts Limited (the "Company") and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities. The principal activities of the principal subsidiaries are detailed in Note 36.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention, except that the financial assets are stated at their fair values as explained in Note 2.8.

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

(a) New or revised standards and amendments to standards adopted by the Group

The Group adopted the following new or revised standards and amendments to standards, which are mandatory for the financial year ended 31 December 2009 and are relevant to its operations.

HKAS 1 (revised)	Presentation of financial statements
HKAS 23 (revised)	Borrowing costs
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments

HKAS 1 (revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New or revised standards and amendments to standards adopted by the Group (continued)

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker.

The adoption of the other amendments to standards has no material financial impact to the Group's consolidated financial statements.

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

The following relevant standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

* HKAS 7	Statement of cash flows
* HKAS 17	Leases
HKAS 27 (revised)	Consolidated and separate financial statements
* HKAS 36	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKFRS 3 (revised)	Business combinations
* HKFRS 8	Operating segments

* represented the amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2009

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

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's statement of financial position, the investment in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates and jointly controlled entity

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

A jointly controlled entity is under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over its economic activity.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associates and jointly controlled entity (continued)

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

In the Company's statement of financial position, the interests in associates and jointly controlled entity is stated at cost less provision for impairment losses (Note 2.7). The results of the associates and jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale (see Note 2.8(b)) are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

2.5 Property, plant and equipment

Property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture and fixtures and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Freehold land is not depreciated. Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.5% – 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.6 Goodwill

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

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

2.7 Impairment of investments in subsidiaries, associates, jointly controlled entity and non-financial assets

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

2.8 Financial assets

Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 2.12 and 2.13).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

Classification (continued)

(b) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.10 Programmes and film rights

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

(a) Programmes cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between the domestic terrestrial market and the overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees. The cost of programmes for satellite channels is expensed in accordance with a formula computed to write off the cost over a maximum of three transmissions.

(b) Film rights

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

2.11 Stocks

Stocks, comprising decoders, tapes, video compact discs, digital video discs and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

2.12 Trade and other receivables

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

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts and short-term loans repayable within three months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade and other payables

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

2.16 Borrowings

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

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

2.17 Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and jointly controlled entity except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) Pension obligations

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of individual's "relevant income" with a maximum amount of HK$1,000 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,000 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/ benefits, any redeemed payment and long service payment). The employer's voluntary contributions shall be refunded to the Group according to the vesting scale when the eligible members leave employment prior to vesting fully in the MPF Scheme.

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

The retirement schemes which cover employees located in overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations. The employees located in Taiwan are members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan are entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme are being frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join as members of the defined contribution retirement scheme.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Provisions

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

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

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

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Advertising income net of agency deductions is recognised (i) when the advertisements are telecast on television or published in a magazine; or (ii) ratably over the displayed period of the contract when the advertisements are placed on the Company's website.

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Income from licensing of content to mobile device and website portal are recognised when the services are rendered and when the right to receive payment is established. Distribution income from video sell through is recognised upon delivery of the video.

Subscription income from operation of satellite pay television networks is recognised on a straight-line basis over the contract period which generally coincides with when the services are rendered. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables and accruals in the statement of financial position.

Income from sales of decoders and sale of magazines are recognised on delivery of products. Income from other services, which includes programmes/commercial production income, management fee income, facility rental income and other service fee income, is recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

2.23 Related parties

A party is considered to be related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party (i) controls the Group, or is under common control with the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly controlled entity;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) to (d) above;

(f) the party is an entity that is controlled, jointly controlled or significant influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) and (e) above.

2.24 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

The Group manages this risk by initially seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favorable to do so. The Group will continue to monitor its foreign currency risk exposure and market conditions to determine if any hedging is required. The Group does not conduct any foreign currency speculative activities.

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

	2009		2008	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Increase/ (decrease) in profit after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**1%**	**996**	10%	10,809
	(1%)	**(996)**	(10%)	(10,809)
Malaysian Ringgit	**5%**	**3,193**	10%	5,924
	(5%)	**(3,193)**	(10%)	(5,924)

(ii) Interest rate risk

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis has been conducted on the loans to associates, bank deposits and bank borrowings. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have been increased/(decreased) by HK$6,005,000 (2008: HK$4,753,000), HK$18,817,000 (2008: HK$18,589,000) and HK$2,264,000 (2008: HK$2,390,000) respectively.

(iii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

The Group's financial liabilities include trade payables, other payables and accruals. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and are paid upon counterparty's formal notification, of which should be within 12 months from the end of the reporting period. For bank borrowings, the repayment schedule is listed in Note 20.

Capital risk factors

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

Capital risk factors (continued)

The gearing ratio at 31 December 2009 and 2008 were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Total borrowings	**301,808**	318,724
Total equity	**5,818,625**	5,633,913
Gearing ratio	**5.2%**	5.7%

Fair value estimation

Effective from 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

As at 31 December 2009, the fair value measurement of the Group's financial assets – available-for-sale financial assets is classified in level 3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill (Note 8) in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Trade receivables

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

(c) Loans to and trade receivables from associates

The Group reviews its loans to and trade receivables from associates to assess impairment at least half yearly. The impairment losses of loans to associates are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The Group's assumptions on the recoverability of the loans to and trade receivables from associate, are based on (i) the ability of TVB Pay Vision Limited ("TVBPV") to successfully secure renewal of its domestic pay TV service licence on expiry in early 2013 for another term of 10 years, and (ii) the Group's commitment to continuously support the businesses of TVBPV for the long term. The Group believes that the impairment loss of HK$135,000,000 is adequate. If the financial conditions of TVBPV were to deteriorate, resulting in impairment as to their ability to make payments, additional impairment losses may be required.

(d) Useful lives of property, plant and equipment

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

(e) Income taxes

As detailed in Note 26, the Inland Revenue Department of Hong Kong (IRD) had initiated tax inquiries and issued protective profits tax assessment notices on the profits generated by the Group's programme licensing and distribution business carried out overseas. Management has decided to make a provision of HK$102,000,000 at 31 December 2009 against the tax exposures relating to the earlier years of assessment under question. Where the outcome of the tax inquiries is different from the amounts that provided, such differences would impact the income tax provisions in the year in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Deferred income tax assets

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

Other revenues comprise mainly interest income and others.

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

	2009 HK$'000	2008 HK$'000
Turnover		
Advertising income, net of agency deductions	**2,399,781**	2,755,575
Licensing income	**796,611**	821,382
Subscription income	**464,948**	475,717
Others	**372,160**	402,012
	4,033,500	4,454,686
Less: Withholding tax	**(50,168)**	(47,382)
	3,983,332	4,407,304
Other revenues		
Interest income	**11,665**	56,868
Others	**27,688**	13,547
	39,353	70,415
	4,022,685	4,477,719

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

	Hong Kong terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Taiwan operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2009								
Turnover								
External customers	**2,063,358**	**547,013**	**347,436**	**622,998**	**314,340**	**88,187**	**–**	**3,983,332**
Inter-segment	**8,344**	**120,592**	**365**	**6,873**	**14,638**	**9,222**	**(160,034)**	**–**
Total	**2,071,702**	**667,605**	**347,801**	**629,871**	**328,978**	**97,409**	**(160,034)**	**3,983,332**
Reportable segment profit	**564,718**	**394,444**	**75,165**	**153,830**	**94,494**	**3,702**	**–**	**1,286,353**
Interest income	**8,465**	**2,217**	**215**	**529**	**–**	**239**	**–**	**11,665**
Finance costs	**–**	**–**	**–**	**(4,498)**	**–**	**–**	**–**	**(4,498)**
Depreciation and amortisation of leasehold land	**(231,559)**	**(4,864)**	**(5,604)**	**(36,584)**	**(174)**	**(4,390)**	**–**	**(283,175)**
Additions to non-current assets*	**131,292**	**370**	**2,282**	**133,844**	**2**	**16,745**	**–**	**284,535**
For the year ended 31 December 2008								
Turnover								
External customers	2,339,179	585,001	345,315	715,996	329,116	92,697	–	4,407,304
Inter-segment	6,939	142,797	431	4,397	15,521	14,029	(184,114)	–
Total	2,346,118	727,798	345,746	720,393	344,637	106,726	(184,114)	4,407,304
Reportable segment profit	639,630	373,762	61,693	164,909	88,947	20,064	–	1,349,005
Interest income	39,274	9,017	1,138	2,014	3,455	1,970	–	56,868
Finance costs	–	–	–	(7,581)	–	–	–	(7,581)
Depreciation and amortisation of leasehold land	(236,124)	(5,222)	(6,107)	(33,722)	(176)	(2,280)	–	(283,631)
Additions to non-current assets*	276,987	1,286	4,914	700,669	312	8,064	–	992,232
Reportable segment assets								
At 31 December 2009	**3,962,867**	**485,727**	**149,066**	**1,276,589**	**143,693**	**168,915**	**–**	**6,186,857**
At 31 December 2008	4,050,146	526,165	150,662	1,199,809	148,994	169,124	–	6,244,900

* Amount comprises additions to property, plant and equipment (including prepayments), leasehold land and goodwill.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

	2009 HK$'000	2008 HK$'000
Reportable segment profit	**1,286,353**	1,349,005
Share of losses of associates	**(64,971)**	(63,174)
Profit before income tax	**1,221,382**	1,285,831

Reportable segments assets are reconciled to total assets as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment assets	**6,186,857**	6,244,900
Interests in jointly controlled entity	**7,500**	–
Interests in associates	**675,830**	375,674
Available-for-sale financial assets	**3**	3
Tax recoverable	**2,802**	1,716
Tax reserve certificates	**152,149**	102,784
Deferred income tax assets	**17,995**	16,925
Total assets per consolidated statement of financial position	**7,043,136**	6,742,002

No customer accounted for 10% or more of the total revenue for the years ended 31 December 2008 and 2009.

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

	2009 HK$'000	2008 HK$'000
Hong Kong	**2,366,476**	2,660,971
Taiwan	**627,504**	734,588
USA and Canada	**217,727**	216,094
Australia	**98,284**	95,722
Europe	**82,614**	91,519
Mainland China	**183,284**	177,490
Malaysia and Singapore	**378,668**	399,686
Other countries	**28,775**	31,234
	3,983,332	4,407,304

6 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2008	1,069,357	77,188	1,864,872	618,790	45,351	3,675,558
Exchange differences	(46,323)	(1,656)	(16,188)	(5,567)	(505)	(70,239)
Additions	662,087	603	223,989	41,200	870	928,749
Disposals	–	(2,774)	(22,042)	(9,058)	(1,735)	(35,609)
Transfer	–	(495)	7,589	(7,094)	–	–
At 31 December 2008	1,685,121	72,866	2,058,220	638,271	43,981	4,498,459
At 1 January 2009	1,685,121	72,866	2,058,220	638,271	43,981	4,498,459
Exchange differences	15,185	33	11,155	2,810	469	29,652
Additions	59,837	303	140,112	83,634	600	284,486
Disposals	(7,208)	(55,073)	(50,067)	(20,593)	(692)	(133,633)
At 31 December 2009	**1,752,935**	**18,129**	**2,159,420**	**704,122**	**44,358**	**4,678,964**
Accumulated depreciation and impairment						
At 1 January 2008	205,949	69,991	1,335,398	302,167	40,132	1,953,637
Exchange differences	(793)	(1,161)	(15,854)	(5,009)	(346)	(23,163)
Charge for the year	44,292	1,716	185,817	44,300	2,352	278,477
Written back on disposals	–	(1,924)	(20,748)	(8,958)	(1,734)	(33,364)
Transfer	–	(31)	6,407	(6,376)	–	–
At 31 December 2008	249,448	68,591	1,491,020	326,124	40,404	2,175,587
At 1 January 2009	249,448	68,591	1,491,020	326,124	40,404	2,175,587
Exchange differences	765	(368)	8,988	2,239	339	11,963
Charge for the year	49,464	1,436	180,758	44,834	1,227	277,719
Written back on disposals	(6,923)	(54,805)	(49,200)	(20,306)	(692)	(131,926)
At 31 December 2009	**292,754**	**14,854**	**1,631,566**	**352,891**	**41,278**	**2,333,343**
Net book value						
At 31 December 2009	**1,460,181**	**3,275**	**527,854**	**351,231**	**3,080**	**2,345,621**
At 31 December 2008	1,435,673	4,275	567,200	312,147	3,577	2,322,872

Notes:

(i) Property, plant and equipment comprises freehold land outside Hong Kong at cost of HK$347,250,000 (2008: HK$341,051,000).

(ii) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$76,041,000 (2008: HK$73,052,000) as they were not ready in use at the year end.

(iii) At 31 December 2009, land and buildings with net book value of HK$773,190,000 (2008: HK$711,448,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2008	920,285	3,747	1,336,991	519,160	32,257	2,812,440
Additions	353	–	216,384	31,513	436	248,686
Transferred from subsidiaries	–	–	–	11	–	11
Disposals	–	–	(13,812)	(2,387)	–	(16,199)
At 31 December 2008	920,638	3,747	1,539,563	548,297	32,693	3,044,938
At 1 January 2009	920,638	3,747	1,539,563	548,297	32,693	3,044,938
Additions	–	–	70,009	60,810	473	131,292
Transferred to subsidiaries	–	–	(91)	(4)	–	(95)
Disposals	–	–	(7,342)	(5,206)	(692)	(13,240)
At 31 December 2009	**920,638**	**3,747**	**1,602,139**	**603,897**	**32,474**	**3,162,895**
Accumulated depreciation						
At 1 January 2008	174,854	3,747	885,871	221,050	30,660	1,316,182
Charge for the year	36,893	–	156,177	36,673	1,392	231,135
Transferred from subsidiaries	–	–	–	4	–	4
Written back on disposals	–	–	(12,829)	(2,320)	–	(15,149)
At 31 December 2008	211,747	3,747	1,029,219	255,407	32,052	1,532,172
At 1 January 2009	211,747	3,747	1,029,219	255,407	32,052	1,532,172
Charge for the year	36,825	–	152,567	36,527	347	226,266
Transferred to subsidiaries	–	–	(91)	(3)	–	(94)
Written back on disposals	–	–	(6,702)	(5,085)	(692)	(12,479)
At 31 December 2009	**248,572**	**3,747**	**1,174,993**	**286,846**	**31,707**	**1,745,865**
Net book value						
At 31 December 2009	**672,066**	**–**	**427,146**	**317,051**	**767**	**1,417,030**
At 31 December 2008	708,891	–	510,344	292,890	641	1,512,766

Note:

No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$76,041,000 (2008: HK$73,052,000) as they were not ready in use at the year end.

7 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value is analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong held on:				
Leases of between 10 to 50 years	**197,300**	202,592	**197,300**	202,592
Leases of over 50 years	**6,166**	6,330	**–**	–
	203,466	208,922	**197,300**	202,592
Opening net book value	**208,922**	185,775	**202,592**	179,280
Additions	**–**	28,301	**–**	28,301
Amortisation (Note 23)	**(5,456)**	(5,154)	**(5,292)**	(4,989)
Closing net book value	**203,466**	208,922	**197,300**	202,592
Cost	**235,773**	235,773	**229,278**	229,278
Accumulated amortisation	**(32,307)**	(26,851)	**(31,978)**	(26,686)
Closing net book value	**203,466**	208,922	**197,300**	202,592

8 GOODWILL

	Group HK$'000
At 1 January 2008	
Cost	168,928
Accumulated impairment	(5,894)
Net book amount	163,034
Year ended 31 December 2008	
Opening net book amount	163,034
Exchange differences	(1,889)
Closing net book amount	161,145
At 31 December 2008	
Cost	167,039
Accumulated impairment	(5,894)
Net book amount	161,145
Year ended 31 December 2009	
Opening net book amount	161,145
Additions (note)	49
Exchange differences	2,054
Closing net book amount	**163,248**
At 31 December 2009	
Cost	169,142
Accumulated impairment	(5,894)
Net book amount	**163,248**

Note:

Goodwill arose from the acquisition of additional shares of a non wholly-owned subsidiary.

8 GOODWILL (continued)

Impairment tests for goodwill

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

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

	2009			2008		
	Overseas satellite pay TV operations HK$'000	**Taiwan operations HK$'000**	**Total HK$'000**	Overseas satellite pay TV operations HK$'000	Taiwan operations HK$'000	Total HK$'000
Europe	**49,448**	**–**	**49,448**	49,448	–	49,448
Taiwan	**–**	**113,800**	**113,800**	–	111,697	111,697
	49,448	**113,800**	**163,248**	49,448	111,697	161,145

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

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

	Overseas satellite pay TV operations	**Taiwan operations**
	Europe	**Taiwan**
Gross margin	**46%**	**40%**
Growth rate	**4%**	**4%**
Discount rate	**10%**	**10%**

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

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

9 INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**11,135**	11,135
Amounts due from subsidiaries (note)	**510,403**	325,653
	521,538	336,788

Note:

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

Details of the principal subsidiaries at 31 December 2009 are listed in Note 36.

10 INTERESTS IN JOINTLY CONTROLLED ENTITY

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Funds advanced (note)	**7,500**	–	**7,500**	–

Note:

The Group has injected totally HK$7,500,000 to the jointly controlled entity for movie production.

At 31 December 2009, the carrying amount of the advance approximated its fair values.

Details of the jointly controlled entity are listed below:

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

11 INTERESTS IN ASSOCIATES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment costs (note (a))	**528,872**	316,127	**–**	–
Less: Accumulated share of losses	**(574,636)**	(509,665)	**–**	–
	(45,764)	(193,538)	**–**	–
Loans to associates (note (b))	**719,212**	569,212	**719,212**	569,212
Interest receivables from associates	**2,382**	–	**2,382**	–
	675,830	375,674	**721,594**	569,212
Unlisted shares, at cost	**528,872**	316,127	**–**	–

Notes:

(a) During the year, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, acquired 336,619,006 non-voting preferred shares (31% of the entire issued share capital) of TVB Pay Vision Holdings Limited ("TVBPVH") from Enjoy Profits Limited at a cash consideration of HK$212,745,000. Investment in associates at 31 December 2009 included goodwill of HK$422,616,000 (2008: nil) arising from the acquisition of 31% equity interests in TVBPVH.

(b) On 31 December 2009, the Company and TVBPV entered into a debt restructuring agreement to consolidate (i) the licence fee payable under the Channel Supply Agreement made between the Company and TVBPV in the sum of HK$150,000,000; and (ii) the loan of HK$569,212,000 under the loan agreement dated 31 December 2008. This loan carries interest at the rate of 1-month HIBOR plus 0.25%. The Group has recognised losses in excess of the investment costs in the shares in TVBPVH of HK$45,764,000 (2008: HK$193,538,000) and applied this amount to the aforementioned loan which formed the net investment in TVBPVH.

At 31 December 2009, the carrying amount of the loan to associate approximated its fair values.

(c) In addition to the loan described in (b), the Group has trade receivables from associates, net of impairment loss, of HK$50,946,000 as disclosed in Note 34(c).

(d) The Group periodically reviews loan to and receivables from associates to assess whether there is objective evidence that loans and receivables are impaired. In 2009, after reviewing the payment status and performance of TVBPV, management has concluded that provision for impairment loss of HK$135,000,000 was adequate.

11 INTERESTS IN ASSOCIATES (continued)

Details of the associates are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of interest in ownership
TVB3 Network Company Limited	Thailand	Television production and programming service	Ordinary shares of Baht10 each	40%
TVB Pay Vision Holdings Limited	Hong Kong	Investment holding	Ordinary shares of HK$1 each	*60%
# TVB Pay Vision Limited	Hong Kong	Domestic pay television programme service	Ordinary shares of HK$1 each	*60%

an associate held indirectly by the Group

* the Company's voting interest remained at 15% as at 31 December 2009 (for further details, refer to Note 34(e))

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

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Loss for the year HK$'000
2009	**157,022**	**577,448**	**(420,426)**	**90,769**	**(64,971)**
2008	88,263	233,846	(145,583)	80,581	(63,174)

The fair values of loans to associates equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25%.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009 HK$'000	2008 HK$'000
Beginning and end of the year	**3**	3
Available-for-sale financial assets include the following:		
Unlisted equity securities – Canada	**3**	3

13 STOCKS

At 31 December 2009 and 2008, all stocks are stated at lower of cost and net realisable value.

14 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current portion				
Prepayment related to capital expenditure	**–**	35,182	**–**	–
Current portion				
Receivables from:				
Jointly controlled entity (Note 34(c))	**939**	–	**939**	–
Associates (Note 34(c))	**187,614**	188,353	**185,082**	183,908
Related parties (Note 34(c))	**69,251**	66,464	**683**	1,275
Trade receivables (note)	**860,238**	836,804	**564,132**	530,912
	1,118,042	1,091,621	**750,836**	716,095
Less: Provision for impairment loss of receivables from:				
Associates (Note 4(c))	**(136,668)**	(136,796)	**(135,000)**	(135,000)
Third parties	**(106,625)**	(96,467)	**(30,270)**	(31,436)
Other receivables, prepayments and deposits	**125,817**	134,576	**93,849**	95,773
Tax reserve certificates (Note 26)	**152,149**	102,784	**–**	–
	1,152,715	1,095,718	**679,415**	645,432
Total	**1,152,715**	1,130,900	**679,415**	645,432

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.

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

At 31 December 2009 and 2008, the aging analysis of the trade receivables including trading balances due from jointly controlled entity, associates and related parties is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**429,077**	386,940	**225,877**	195,764
1-2 months	**202,915**	230,587	**167,103**	180,642
2-3 months	**132,257**	138,495	**110,127**	110,485
3-4 months	**103,082**	94,358	**81,122**	68,824
4-5 months	**39,067**	56,119	**36,721**	49,358
Over 5 months	**211,639**	184,952	**129,886**	111,022
	1,118,037	1,091,451	**750,836**	716,095
Trade receivables due from:				
Third parties	**860,238**	836,804	**564,132**	530,912
Jointly controlled entity, associates and related parties	**257,799**	254,647	**186,704**	185,183
	1,118,037	1,091,451	**750,836**	716,095
Non-trading amounts due from associates and related parties	**5**	170	**–**	–
	1,118,042	1,091,621	**750,836**	716,095

As at 31 December 2009, the aging analysis of the trade receivables not determined to be impaired is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Up to 5 months	**847,740**	838,127	**564,092**	542,724
Over 5 months to 1 year	**26,476**	18,604	**21,474**	6,934
Over 1 year	**528**	1,457	**–**	1
	874,744	858,188	**585,566**	549,659
Less: Amounts not yet due	**(538,594)**	(473,630)	**(311,888)**	(306,390)
Amounts past due	**336,150**	384,558	**273,678**	243,269

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

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

The percentage of amounts (before impairment loss) of the Group's trade receivables are denominated in the following currencies:

	Group	
	2009	2008
	%	%
Hong Kong dollars	**74**	69
US dollars	**6**	9
New Taiwan dollars	**11**	12
Malaysian Ringgit	**6**	6
Other currencies	**3**	4
	100	100

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**233,263**	212,116
Provision for impairment loss	**14,473**	32,171
Reversal of provision for impairment	**(4,645)**	(9,531)
Receivables written off as uncollectible	**(726)**	(146)
Exchange differences	**928**	(1,347)
	243,293	233,263

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

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

15 PLEDGED BANK DEPOSITS

At 31 December 2009, the Group had pledged bank deposits of HK$7,002,000 (2008: HK$5,158,000) to secure banking and credit facilities granted to subsidiaries of the Group. The carrying amounts of bank deposits approximate their fair values.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand (note)	**192,057**	214,736	**22,435**	37,429
Short-term bank deposits (note)	**1,701,529**	1,748,358	**1,325,556**	1,281,324
	1,893,586	1,963,094	**1,347,991**	1,318,753

Note:

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

17 SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	Nominal value HK$'000
Authorised:		
At 1 January 2008 and 2009 and 31 December 2009	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2008 and 2009 and 31 December 2009	**438,000,000**	**21,900**

18 OTHER RESERVES

(a) Group

	Share premium HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2008	602,026	70,000	864	49,750	40,118	(76,926)	685,832
Currency translation differences:							
– Group	–	–	–	–	–	(2,633)	(2,633)
Transfer from retained earnings	–	–	–	13,687	–	–	13,687
Balance at 31 December 2008	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Balance at 1 January 2009	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Currency translation differences:							
– Group	–	–	–	–	–	7,347	7,347
Transfer from retained earnings	–	–	–	18,861	–	–	18,861
Balance at 31 December 2009	**602,026**	**70,000**	**864**	**82,298**	**40,118**	**(72,212)**	**723,094**

Capital reserve – in accordance with the local laws and regulations of a subsidiary, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve. The capital reserve in connection with the gain on deemed disposal of its associate can only be used to cover operating losses.

Legal reserve – in accordance with the local laws of subsidiaries in Taiwan, these subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve to the extent that the legal reserve amounts to total contributed share capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital.

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

(b) Company

	Share premium HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance at 1 January 2008 and 2009 and 31 December 2009	**602,026**	**70,000**	**40,118**	**712,144**

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

Distributable reserves, which include retained earnings and general reserve, of the Company at 31 December 2009, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$4,017,192,000 (2008: HK$3,825,904,000).

19 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to:				
Associates (Note 34(c))	**2,395**	1,633	**–**	–
Related parties (Note 34(c))	**5,314**	339	**4,501**	105
Third parties	**72,091**	84,364	**38,715**	47,488
	79,800	86,336	**43,216**	47,593
Amount due to subsidiaries	**–**	–	**139,039**	112,030
Other payables and accruals	**560,353**	507,474	**299,975**	258,816
	640,153	593,810	**482,230**	418,439

At 31 December 2009 and 2008, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**49,672**	51,951	**29,514**	33,700
1-2 months	**19,195**	25,606	**8,137**	10,363
2-3 months	**6,433**	6,005	**2,984**	2,704
3-4 months	**690**	758	**351**	404
4-5 months	**2,198**	237	**2,164**	116
Over 5 months	**1,612**	1,779	**66**	306
	79,800	86,336	**43,216**	47,593

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

20 BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank borrowings:		
Non-current	**279,030**	296,357
Current	**22,778**	22,367
Total bank borrowings	**301,808**	318,724

20 BORROWINGS (continued)

Movements in bank borrowings are analysed as follows:

	Group 2009 HK$'000	2008 HK$'000
Opening amount as at 1 January	**318,724**	–
Additions	**–**	359,426
Repayments	**(22,157)**	(17,563)
Exchange differences	**5,241**	(23,139)
Closing amount as at 31 December	**301,808**	318,724

At 31 December 2009, the Group's bank borrowings were repayable as follows:

	2009 HK$'000	2008 HK$'000
Within 1 year	**22,778**	22,367
Between 1 and 2 years	**22,778**	22,366
Between 2 and 5 years	**68,334**	67,100
Wholly repayable within 5 years	**113,890**	111,833
Over 5 years	**187,918**	206,891
	301,808	318,724

Bank borrowings are secured by land and buildings with net book value of HK$673,225,000 (2008: HK$612,510,000). The effective interest rate at the end of the reporting period was 1.40% (2008: 1.95%).

The carrying amounts of the Group's borrowings are denominated in New Taiwan dollars. The fair values of current borrowings equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowings rate of 1.39% (2008: 1.93%).

21 DEFERRED INCOME TAX

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net deferred income tax assets recognised on the statement of financial position	**(17,995)**	(16,925)	**–**	–
Net deferred income tax liabilities recognised on the statement of financial position	**111,713**	124,394	**88,460**	100,536
	93,718	107,469	**88,460**	100,536

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**107,469**	115,387	**100,536**	107,973
Exchange differences	**(116)**	205	**–**	–
Recognised in the income statement (Note 26)	**(13,635)**	(8,123)	**(12,076)**	(7,437)
At 31 December	**93,718**	107,469	**88,460**	100,536

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2009, the Group has unrecognised tax losses of HK$418,857,000 (2008: HK$378,546,000) to carry forward against future taxable income. These tax losses do not have expiry date.

21 DEFERRED INCOME TAX (continued)

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

(a) Group

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**106,253**	113,229	**24,051**	18,148	**130,304**	131,377
Recognised in the income statement	**(11,635)**	(7,142)	**(1,130)**	5,926	**(12,765)**	(1,216)
Exchange differences	**(84)**	166	**5**	(23)	**(79)**	143
At 31 December	**94,534**	106,253	**22,926**	24,051	**117,460**	130,304

Deferred income tax assets

	Tax losses		Others		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**56**	894	**22,779**	15,096	**22,835**	15,990
Recognised in the income statement	**3,104**	(836)	**(2,234)**	7,743	**870**	6,907
Exchange differences	**–**	(2)	**37**	(60)	**37**	(62)
At 31 December	**3,160**	56	**20,582**	22,779	**23,742**	22,835

21 DEFERRED INCOME TAX (continued)

(b) Company

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**105,086**	111,821	**1,225**	1,402	**106,311**	113,223
Recognised in the income statement	**(11,960)**	(6,735)	**(116)**	(177)	**(12,076)**	(6,912)
At 31 December	**93,126**	105,086	**1,109**	1,225	**94,235**	106,311

Deferred income tax assets

	Others		Total	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**5,775**	5,250	**5,775**	5,250
Recognised in the income statement	**–**	525	**–**	525
At 31 December	**5,775**	5,775	**5,775**	5,775

22 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2009	2008
	HK$'000	HK$'000
Obligations on:		
Pensions – defined contribution plans (note (a))	**6,881**	7,314
Pensions – defined benefit plans (note (b))	**6,706**	9,563
	13,587	16,877

22 RETIREMENT BENEFIT OBLIGATIONS (continued)

Notes:

(a) Pensions – defined contribution plans

Forfeited contributions totaling HK$322,000 (2008: HK$955,000) were utilised during the year.

Contributions totaling HK$6,881,000 (2008: HK$7,314,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefit plans

The Group operates a defined benefit retirement scheme providing benefits to eligible employees located in Taiwan under the local regulations.

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the Group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation was carried out as of 31 December 2009 by Client View Management Consulting Co., Ltd..

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

	Group	
	2009	2008
	HK$'000	HK$'000
Present value of funded obligations	**72,596**	75,475
Fair value of plan assets	**(43,526)**	(38,418)
	29,070	37,057
Unrecognised actuarial losses	**(22,364)**	(27,494)
Liability in the statement of financial position	**6,706**	9,563

Expected contributions to defined benefit plans for the year ending 31 December 2010 are HK$4,159,000.

Plan assets comprised as follows:

	Group			
	2009		2008	
	HK$'000	**%**	HK$'000	%
Bank deposits	**18,398**	**42**	15,125	39
Equity	**4,157**	**10**	4,414	12
Debt	**7,482**	**17**	9,685	25
Others	**13,489**	**31**	9,194	24
	43,526	**100**	38,418	100

22 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**75,475**	63,334
Current service cost	**842**	862
Interest cost	**1,796**	1,826
Actuarial (gains)/losses	**(4,040)**	16,292
Benefits paid	**(105)**	–
Curtailments/settlements	**(2,644)**	(5,166)
Exchange differences	**1,272**	(1,673)
At 31 December	**72,596**	75,475

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**38,418**	33,435
Expected return on plan assets	**1,004**	921
Actuarial (losses)/gains	**(740)**	352
Employer contributions	**4,122**	4,526
Benefits paid	**(105)**	–
Exchange differences	**827**	(816)
At 31 December	**43,526**	38,418

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

	Group	
	2009	2008
	HK$'000	HK$'000
Current service cost	**842**	862
Interest cost	**1,796**	1,826
Expected return on plan assets	**(1,004)**	(921)
Net actuarial losses recognised	**1,345**	964
Gains on curtailments/settlement	**(1,807)**	(3,263)
Total, included in employee benefit expense (Note 24(b))	**1,172**	(532)

The actual return on plan assets was HK$265,000 (2008: HK$1,273,000).

22 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

The principal actuarial assumptions used were as follows:

	Group	
	2009	2008
	%	%
Discount rate	**2.25**	2.50
Expected rate of return on plan assets	**2.00**	2.50
Expected rate of future salary increases	**2.00**	3.00

Historical information:

	2009	2008	2007
	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligation	**72,596**	75,475	63,334
Fair value of plan assets	**(43,526)**	(38,418)	(33,435)
Deficit	**29,070**	37,057	29,899
Experience adjustments on plan liabilities	**558**	4,533	1,355
Experience adjustments on plan assets	**760**	(336)	(56)

23 PROFIT BEFORE INCOME TAX

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

	2009	2008
	HK$'000	HK$'000
Net exchange (gain)/loss	**(9,204)**	18,928
Loss on disposal of property, plant and equipment	**312**	550
Auditors' remuneration	**4,439**	4,562
Non-audit service fees (mainly tax services)	**2,994**	1,796
Cost of programmes, film rights and stocks	**1,204,162**	1,416,471
Depreciation (Note 6)	**277,719**	278,477
Amortisation of leasehold land (Note 7)	**5,456**	5,154
Operating leases		
– equipment and transponders	**23,991**	38,049
– land and buildings	**18,948**	32,271
Employee benefit expense		
(excluding directors' emoluments) (Note 24(b))	**1,148,430**	1,275,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK$'000	Salary and allowance HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Executive Directors					
Sir Run Run Shaw, G.B.M.	900	–	–	–	900
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	100	4,720	600	12	5,432
Mona Fong (note (i))	200	1,650	–	–	1,850
Non-executive Directors					
Edward Cheng Wai Sun, S.B.S., J.P.	130	–	–	–	130
Dr. Chow Yei Ching, G.B.S.	100	–	–	–	100
Chien Lee	220	–	–	–	220
Christina Lee Look Ngan Kwan	175	–	–	–	175
Dr. Li Dak Sum, DSSc. (Hon.), J.P. (note (ii))	38	–	–	–	38
Kevin Lo Chung Ping	255	–	–	–	255
Gordon Siu Kwing Chue, G.B.S., J.P.	270	–	–	–	270
Vivien Chen Wai Wai (note (iii))	34	–	–	–	34
	2,422	6,370	600	12	9,404

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK$'000	Salary and allowance HK$'000	Pension contributions HK$'000	Total HK$'000
Executive Directors				
Sir Run Run Shaw, G.B.M.	900	–	–	900
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	87	4,450	12	4,549
Mona Fong	238	1,200	–	1,438
Non-executive Directors				
Edward Cheng Wai Sun, S.B.S., J.P.	118	–	–	118
Dr. Chow Yei Ching, G.B.S.	87	–	–	87
Chien Lee	193	–	–	193
Christina Lee Look Ngan Kwan	163	–	–	163
Dr. Li Dak Sum, DSSc. (Hon.), J.P.	87	–	–	87
Kevin Lo Chung Ping	213	–	–	213
Gordon Siu Kwing Chue, G.B.S., J.P.	251	–	–	251
Robert Sze Tsai To	14	–	–	14
	2,351	5,650	12	8,013

Notes:

(i) The Director was appointed as Managing Director on 1 January 2009.

(ii) The Director retired with effect from 21 May 2009.

(iii) The Director was appointed as an Independent Non-executive Director with effect from 1 September 2009.

24 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(b) Employee benefit expense

	2009 HK$'000	2008 HK$'000
Wages and salaries	**1,073,153**	1,196,289
Pension costs – defined contribution plans	**74,105**	79,581
Pension costs – defined benefit plans	**1,172**	(532)
	1,148,430	1,275,338

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: one) Director whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining four (2008: four) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and allowances	**13,307**	15,469
Bonuses	**1,300**	1,240
Pension contributions	**668**	673
	15,275	17,382

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

Emolument bands	Number of individuals in each band 2009	2008
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**2**	2
HK$5,000,001 – HK$5,500,000	**–**	1
	4	4

25 FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank loans		
– wholly repayable within five years	–	13
– over five years	4,498	7,568
	4,498	7,581

26 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2009 HK$'000	2008 HK$'000
Current income tax:		
– Hong Kong	145,789	160,114
– Overseas	87,425	79,065
– Over provisions in prior years	(953)	(1,512)
– Provision for prior years (note)	102,000	–
Deferred income tax:		
– Origination and reversal of temporary differences (Note 21)	(14,650)	(1,851)
– Effect of decrease in tax rate (Note 21)	1,015	(6,272)
	320,626	229,544

Note:

The Group had received protective profits tax assessment notices from the IRD for the five consecutive years of assessment from 1998/99 to 2002/03 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Out of the total tax demanded, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$23,990,000, HK$23,561,000, HK$20,205,000, HK$35,028,000 and HK$49,365,000 for the five consecutive years of assessment from 1998/99 to 2002/03 respectively (see Note 14), whereas unconditional holdovers have been granted for the remaining tax demanded of HK$74,287,000, HK$75,015,000, HK$65,819,000, HK$109,538,000 and HK$159,902,000 for the five consecutive years of assessment from 1998/99 to 2002/03 respectively.

The Group has filed objections to these assessments, and is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

Subsequently, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2003/04 in February 2010 with a total tax demand of HK$206,531,000. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

26 INCOME TAX EXPENSE (continued)

Note:

As a result of the recent exchange of information and discussion with the IRD during the year, management obtained the IRD's initial view of the case and considered that a provision of HK$102,000,000 against the tax exposures under question to be appropriate at 31 December 2009.

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

	2009 HK$'000	2008 HK$'000
Profit before income tax	**1,221,382**	1,285,831
Calculated at a taxation rate of 16.5% (2008: 16.5%)	**201,528**	212,162
Effect of different taxation rates in other countries	**(5,467)**	(13,766)
Tax effect of share of results of associates	**10,720**	10,424
Income not subject to taxation	**(1,559)**	(7,092)
Expenses not deductible for taxation purposes	**2,152**	18,680
Tax losses not recognised	**942**	1,525
Utilisation of previously unrecognised tax losses	**(4,195)**	(1,347)
Tax credit allowance	**(571)**	(2,299)
Tax on undistributed profits	**20,570**	21,525
Allowance for previous non-deductible expenses	**(5,248)**	(1,635)
Re-measurement of deferred tax change in tax rate	**1,015**	(6,272)
Others	**(308)**	(849)
Over provisions in prior years	**(953)**	(1,512)
Provision for prior years	**102,000**	–
	320,626	229,544

27 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$913,988,000 (2008: HK$918,291,000).

28 EARNINGS PER SHARE

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$900,444,000 (2008: HK$1,055,348,000) and 438,000,000 shares in issue throughout the years ended 31 December 2009 and 2008. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

29 DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim dividend paid of HK$0.25 (2008: HK$0.30) per ordinary share	**109,500**	131,400
Proposed final dividend of HK$1.35 (2008: HK$1.40) per ordinary share	**591,300**	613,200
	700,800	744,600

At a meeting held on 24 March 2010, the Directors recommended a final dividend of HK$1.35 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2009 HK$'000	2008 HK$'000
Profit before income tax	**1,221,382**	1,285,831
Depreciation and amortisation of leasehold land	**283,175**	283,631
Loss on disposal of property, plant and equipment	**312**	550
Share of losses of associates	**64,971**	63,174
Interest income	**(11,665)**	(56,868)
Finance cost	**4,498**	7,581
Exchange differences	**(12,874)**	36,676
	1,549,799	1,620,575
Decrease in programmes, film rights and stocks	**45,982**	45,031
Increase in trade and other receivables, prepayments and deposits	**(208,998)**	(39,531)
Increase/(decrease) in trade and other payables and accruals	**46,443**	(33,139)
Decrease in retirement benefit obligations – defined benefit plans	**(2,857)**	(5,074)
Cash generated from operations	**1,430,369**	1,587,862

Note:

The principal non-cash transaction is the restructure of loans to associate as discussed in Note 11.

31 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for banking facilities granted to an investee company	**9,559**	8,304	**–**	–
Guarantees for a performance bond	**–**	2,000	**–**	2,000
	9,559	10,304	**–**	2,000

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

32 COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**375,319**	358,605	**283,556**	245,651
Contracted but not provided for	**14,218**	62,961	**12,770**	27,578
	389,537	421,566	**296,326**	273,229

32 COMMITMENTS (continued)

(b) Operating lease commitments as lessee

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**8,199**	14,292	**2,506**	5,208
– later than one year and not later than five years	**7,943**	9,008	**1,660**	1,448
– later than five years	**613**	–	**–**	–
	16,755	23,300	**4,166**	6,656
Equipment and transponders				
– not later than one year	**11,156**	29,704	**–**	–
– later than one year and not later than five years	**198**	7,529	**–**	–
	11,354	37,233	**–**	–
	28,109	60,533	**4,166**	6,656

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

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

The lease expenditure expensed in the income statement during the year is disclosed in Note 23.

(c) Operating lease commitments as lessor

At 31 December 2009, the Group had contracted with tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**7,047**	–	**7,047**	–
– later than one year and not later than five years	**21,141**	–	**21,141**	–
	28,188	–	**28,188**	–

Operating lease payments represent rental receivable by the Group from its associate. The lease agreement commenced on 1 January 2009 with rental fixed for five years.

33 TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	**2009 HK$'000**	2008 HK$'000
Sales of services:			
Associates			
Programmes/channel licensing fee	(i)	**205,033**	204,841
Channel package service fee	(i)	**1,200**	1,800
Rental income and related charges	(i)	**7,225**	6,353
Advertising income	(i)	**3,021**	–
Others	(i)	**4,180**	3,069
Other related parties			
Programmes/channel licensing fee	(ii)	**189,889**	199,494
Advertising agency fee	(ii)	**50,113**	50,632
Management fee	(ii)	**32,460**	34,512
Marketing and consultancy service fee	(ii)	**8,357**	8,885
Facilities service fee	(ii)	**2,639**	2,806
Channel licensing fee	(iii)	**–**	935
Advertising income	(iv)	**4,768**	7,052
		508,885	520,379
Purchases of services:			
Associates			
Playback and uplink service fee	(i)	**(29,908)**	(31,160)
Purchase of decoders, remote control and smartcards	(i)	**(640)**	(4,133)
Others	(i)	**(5,294)**	(6,595)
Other related parties			
Technical service fee	(v)	**(4,267)**	–
Programmes/channel licensing fee	(vi)	**(2,170)**	(1,674)
Digital restoration of video tapes	(vii)	**(285)**	(1,225)
Programme licensing fee	(viii)	**(429)**	(1,870)
		(42,993)	(46,657)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from/(paid to) TVBPV, an associate of the Company.

(ii) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(iii) The fees were received from All Asia Multimedia Networks FZ-LLC, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(iv) The fees were received from Sharp-Roxy (Hong Kong) Limited, an associate of a Director of the Company.

(v) The fees were paid to Hong Kong Movie City Company Limited, an associate of a substantial shareholder of the Company.

(vi) The fees were paid to Celestial Television Networks Ltd., an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(vii) The fees were paid to Shaw Brothers (Hong Kong) Limited ("Shaw Brothers"), a substantial shareholder of the Company.

(viii) The fees were paid to Celestial Filmed Entertainment Limited, an associate of the minority shareholder of non wholly-owned subsidiaries of the Company.

(b) Key management compensation

	2009 **HK$'000**	2008 HK$'000
Salaries and other short-term employee benefits	**22,207**	23,044

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	2009 HK$'000	2008 HK$'000
Receivables from jointly controlled entity	**939**	–
Receivables from associates (note)	**187,614**	188,353
Receivables from other related parties (note)	**69,251**	66,464
	257,804	254,817
Payables to associates	**2,395**	1,633
Payables to other related parties	**5,314**	339
	7,709	1,972

Note:

At 31 December 2009, a provision for impairment loss of receivable from associates of HK$136,668,000 (2008: HK$136,796,000) had been provided (Note 14).

No impairment loss was provided for receivables from other related parties at 31 December 2009 and 2008.

(d) Fund advanced/loans to related parties

	2009 HK$'000	2008 HK$'000
Fund advanced to jointly controlled entity		
Beginning of the year	**–**	–
Fund advanced	**7,500**	–
End of the year	**7,500**	–
Loans to associates		
Beginning of the year	**569,212**	215,315
Additional loan (note)	**150,000**	348,333
Interest charged	**2,382**	8,968
Interest received	**–**	(3,404)
End of the year	**721,594**	569,212

On 31 December 2009, the Company and TVBPV entered into a debt restructuring agreement in the amount of HK$719,212,000 (Note 11(b)). The loan carries interest at the rate of 1-month HIBOR plus 0.25%.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(e) Purchase of additional shares of TVBPVH

On 30 June 2009, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to acquire 336,619,006 non-voting preferred shares of TVBPVH, representing 31% of the entire issued share capital of TVBPVH, from Enjoy Profits Limited at a cash consideration of HK$212,745,000. This consideration was based on the same valuation of TVBPVH when TVB Satellite TV Holdings Limited sold the 51% interest in TVBPVH to Enjoy Profits Limited and Dr. Charles Chan for HK$350,000,000 in a transaction entered into on 21 April 2005. This acquisition, which increased the Group's shareholding from 29% to 60%, was completed on 16 November 2009. As the transaction involved only the acquisition of non-voting preferred shares of TVBPVH, TVB's voting interest in TVBPVH continues to remain at 15%. Accordingly, TVBPVH has continued to be treated as an associated company in the Group's financial statements.

(f) Establishment of a jointly controlled entity with Shaw Brothers

During the year, the Company and Shaw Brothers, a substantial shareholder of the Company, established a jointly controlled entity ("JCE") with the objective of producing motion pictures. As at 31 December 2009, the Company advanced to this JCE a total of HK$7,500,000, representing the Company's half share of the funding injected for movie production. The advances to JCE are unsecured, non-interest bearing and repayable on demand.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 24 March 2010.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

	Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
#	iTVB Holdings Limited	British Virgin Islands, limited liability company	HK$10,000	–	100	100	Investment holding
	Long Wisdom Limited	Hong Kong, limited liability company	HK$2	–	100	100	Investment holding
*	Television Broadcasts Airtime Sales (Guangzhou) Limited	The People's Republic of China, limited liability company	HK$500,000	–	100	100	Provision of agency services on design, production and exhibition of advertisements
#	TVB (China Production) Company Limited	Hong Kong, limited liability company	HK$1	–	100	100	Owner of film rights and programme licensing
	TVB Investment Limited	Bermuda, limited liability company	US$20,000	–	100	100	Investment holding
	TVB Music Limited	Hong Kong, limited liability company	HK$1	–	100	100	Production, publishing and licensing of musical works
#	TVB Satellite TV Holdings Limited	Bermuda, limited liability company	US$12,000	–	100	100	Investment holding
	TVBI Company Limited	Hong Kong, limited liability company	HK$2,000,000	–	100	100	Investment holding and programme licensing
	TVBO Production Limited	Bermuda, limited liability company	US$12,000	–	100	100	Owner of film rights and programme licensing
*	广东采星坊演艺咨询服务有限公司	The People's Republic of China, limited liability company	RMB10,000,000	–	100	100	Provision of consultancy, management and agency services to artistes
	Art Limited	Hong Kong, limited liability company	HK$10,000	–	73.68	–	Film licensing and distribution

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
#	Capital Empire Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Owner of film rights and programme licensing
	CC Decoders Ltd.	United Kingdom, limited liability company	GBP2	–	100	–	Provider of decoder units and relating technical services
#	Condor Entertainment B.V.	The Netherlands, limited liability company	EUR18,400	–	100	–	Investment holding
	Countless Entertainment (Taiwan) Company Ltd.	Taiwan, limited liability company	NT$10,000,000	–	100	–	Investment holding and programme licensing
#	Extra Profit Holdings Limited	British Virgin Islands, limited liability company	HK$1	–	100	–	Investment holding
#	Fairwork Group Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Investment holding
	Interface Communication Co., Ltd.	Taiwan, limited liability company	NT$199,800,000	–	92.64	–	Magazine publication
#	iTVB Limited	British Virgin Islands, limited liability company	HK$10,000	–	100	–	Investment holding
	Jade Multimedia International Limited	Bermuda, limited liability company	US$12,000	–	100	–	Animation investment, licensing and distribution
	Liann Yee Production Co., Ltd.	Taiwan, limited liability company	NT$880,000,000	–	100	–	Production of television programmes, channel operation and advertising
#	Peony Holding N.V.	Netherlands Antilles, limited liability company	US$100	US$6,000	100	–	Investment holding

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
The Chinese Channel Limited	United Kingdom, limited liability company	GBP1,111	–	100	–	Provision of services for programme productions and channel operations
* The Chinese Channel (France) SAS	France, limited liability company	EUR600,000	–	100	–	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands, limited liability company	GBP89,640	–	100	–	Investment holding
TVB (Australia) Pty. Ltd.	Australia, limited liability company	A$5,500,000	–	100	–	Provision of satellite and subscription television programmes
TVB Facilities Limited	Hong Kong, limited liability company	HK$10,000	–	100	–	Provision of services for programme productions
* TVB Holdings (USA) Inc.	USA, limited liability company	US$6,010,000	–	100	–	Investment holding and programme licensing and distribution
TVB Macau Company Limited	Macau, limited liability company	MOP25,000	–	100	–	Provision of services for programmes productions
TVB Publications Limited	Hong Kong, limited liability company	HK$20,000,000	–	73.68	–	Magazine publications
§ TVB Publishing Holding Limited	Hong Kong, limited liability company	HK$8,550,000	–	73.68	–	Investment holding
TVB Satellite Broadcasting Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of programming and channel services
* TVB Satellite Platform, Inc.	USA, limited liability company	US$3,000,000	–	100	–	Provision of satellite and subscription television programmes

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
	TVB Satellite TV Entertainment Limited	Bermuda, limited liability company	US$12,000	–	100	–	Provision of satellite and subscription television programmes
	TVB Satellite TV (HK) Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of pay television programmes
	TVB (UK) Limited	United Kingdom, limited liability company	GBP2	–	100	–	Investment holding
*	TVB (USA) Inc.	USA, limited liability company	US$10,000	–	100	–	Provision of satellite and subscription television programmes
	TVB Video (UK) Limited	United Kingdom, limited liability company	GBP1,000	–	100	–	Programme licensing
	TVB.COM Limited	Hong Kong, limited liability company	HK$2	–	100	–	Internet web portal
	TVBO Facilities Limited	Bermuda, limited liability company	US$12,000	–	100	–	Provision of services for programme productions
#	Zennora Group Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Investment holding

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

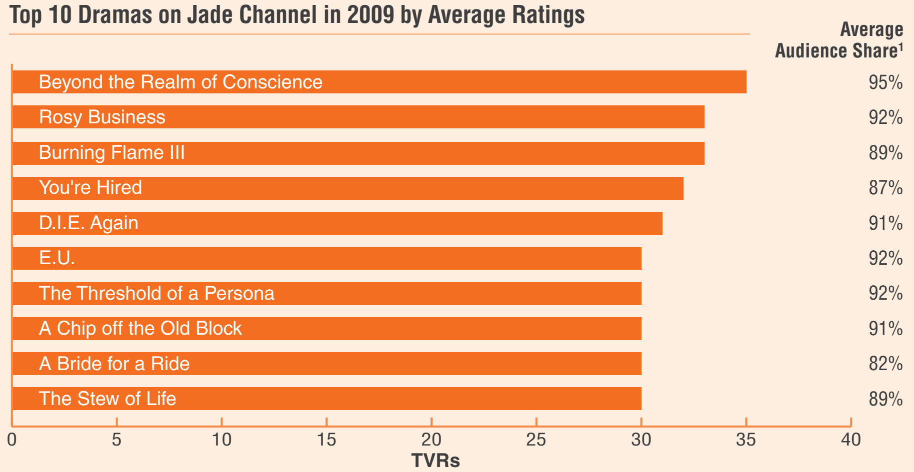
* The accounts of these subsidiaries have been audited by firms other than PricewaterhouseCoopers, which do not materially affect the results of the Group.

The accounts of these subsidiaries are not audited.

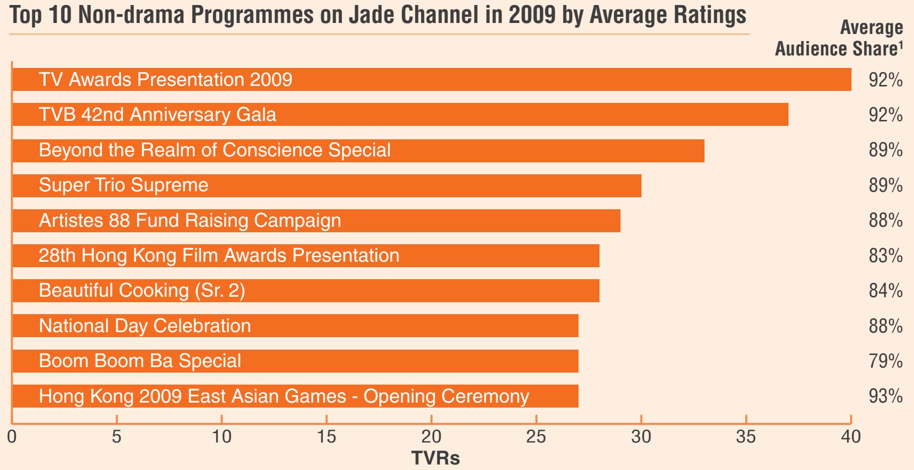
§ On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares (with a par value of HK$0.10 per share) at HK$8.60 per share to its minority shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2009.

Channels Performance

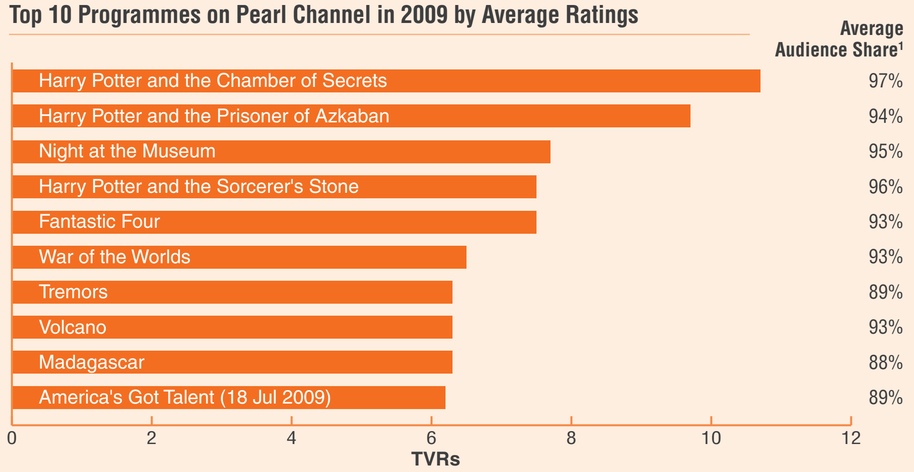
Top 10 Dramas on Jade Channel in 2009 by Average Ratings



Top 10 Non-drama Programmes on Jade Channel in 2009 by Average Ratings



Top 10 Programmes on Pearl Channel in 2009 by Average Ratings



[1] Audience Share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade (Jade and HD Jade) and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. Before 1 June 2009, measurement of TV ratings[2] (TVR) included analogue broadcast only. From 1 June 2009 onwards, the measurement also include digital broadcast.

[2] TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2009, the TV population was estimated as 6,360,000, and therefore, 1 TVR represents 63,600 viewers (1% of the TV population). Ratings data source: CSM Media Research.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