



TVB 2012

Interim Report
中期報告

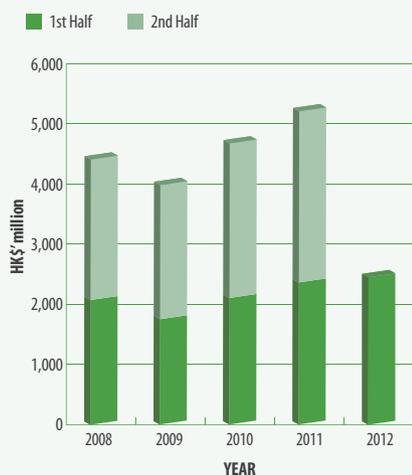


Television Broadcasts Limited
電視廣播有限公司

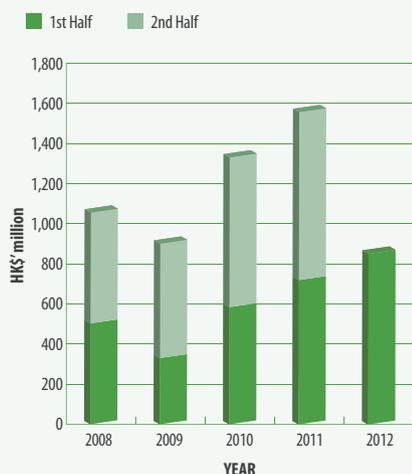
Stock Code 股份代號 : 00511

FINANCIAL HIGHLIGHTS

Turnover



Profit Attributable to Equity Holders of the Company

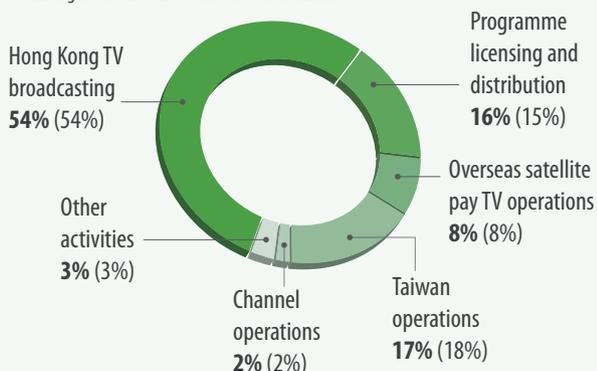


Six months ended 30 June

	2012	2011	Change
Performance			
Earnings per share	HK\$1.94	HK\$1.64	+18%
Interim dividend per share	HK\$0.60	HK\$0.45	+33%
	HK\$'mil	HK\$'mil	
Turnover			
- Hong Kong TV broadcasting	1,335	1,293	+3%
- Programme licensing and distribution	463	425	+9%
- Overseas satellite pay TV operations	187	193	-3%
- Taiwan operations	428	419	+2%
- Channel operations	54	58	-7%
- Other activities	76	62	+23%
- Inter-segment elimination	(92)	(85)	+8%
	2,451	2,365	+4%
Total expenses	(1,451)	(1,338)	+8%
Share of losses of associates	-	(29)	-100%
Profit attributable to equity holders	850	719	+18%
	30 June 2012	31 December 2011	
	HK\$'mil	HK\$'mil	
Total assets	8,924	8,834	+1%
Total liabilities	1,735	1,741	0%
Total equity	7,189	7,093	+1%
Number of issued shares	438,000,000	438,000,000	
Ratios			
Current ratio	4.0	4.2	
Gearing	3.0%	3.1%	

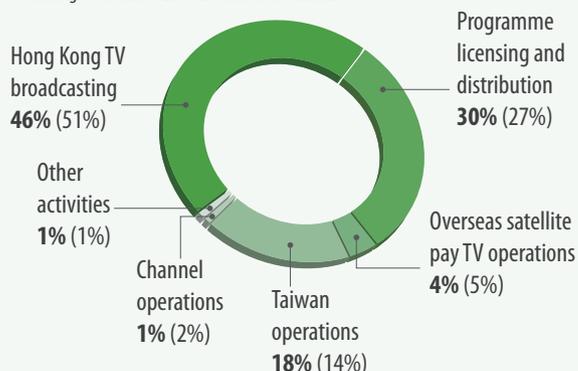
Turnover by Operating Segment

% relating to 1st half of 2011 are shown in brackets



Reportable Segment Profit by Operating Segment

% relating to 1st half of 2011 are shown in brackets



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CORPORATE INFORMATION

CHAIRMAN EMERITUS

Sir Run Run SHAW, G.B.M.

EXECUTIVE CHAIRMAN

Dr. Norman LEUNG Nai Pang, G.B.S., LL.D., J.P.
(appointed on 1 January 2012)

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Norman LEUNG Nai Pang, Executive Chairman

Mark LEE Po On, Group General Manager

NON-EXECUTIVE DIRECTORS

Mona FONG (re-designated as a Non-executive Director on 1 April 2012)

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung

Cher WANG Hsiueh Hong

Jonathan Milton NELSON

Anthony LEE Hsien Pin (appointed on 3 February 2012)

CHEN Wen Chi (appointed on 3 February 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

Chien LEE

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

ALTERNATE DIRECTORS

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

Harvey CHANG Hsiao Wei, Alternate Director to Cher Wang Hsiueh Hong
(appointed on 3 February 2012)

SUN Tao, Alternate Director to Jonathan Milton Nelson
(appointed on 18 June 2012)

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Norman LEUNG Nai Pang, Chairman

Mark LEE Po On

Mona FONG

Kevin LO Chung Ping

Dr. Charles CHAN Kwok Keung (appointed on 21 March 2012)

CHEN Wen Chi (appointed on 21 March 2012)

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

NOMINATION COMMITTEE (established on 21 March 2012)

Dr. CHOW Yei Ching, Chairman

Anthony LEE Hsien Pin

Edward CHENG Wai Sun

EXECUTIVE OFFICERS

SENIOR MANAGEMENT

Mark LEE Po On, Group General Manager

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

AUDITOR

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

AMERICAN DEPOSITARY RECEIPTS

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

STOCK CODES

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

WEBSITE

www.tvb.com

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the 2012 interim report and condensed consolidated financial information for the six months ended 30 June 2012 ("Period") of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries (collectively, "Group"), which are set out on pages 20 to 40 to this report.

RESULTS AND INTERIM DIVIDEND

For the Period, the Group's turnover increased by 4% from HK\$2,365 million to HK\$2,451 million, and the profit before income tax increased by 1% from HK\$1,025 million to HK\$1,031 million. The Group's profit attributable to equity holders increased by 18% from HK\$719 million to HK\$850 million, giving an earnings per share of HK\$1.94 (2011: HK\$1.64). I am very pleased to report that this represents another record profit attributable to equity holders for the first half of a year.

An interim dividend of HK\$0.60 (2011: HK\$0.45) per share has been declared for the 438,000,000 shares in issue of HK\$0.05 each in respect of the Period. This interim dividend will be paid to shareholders on or around 5 October 2012, whose names are recorded on the Register of Members on 26 September 2012.

BUSINESS AND OUTLOOK

We continued to invest and produce drama serials and a wide genre of programmes to engage our audience in Hong Kong. During the Period, we succeeded in further increasing our ratings and market share for Jade and Pearl channels over last year. We saw a growth of 5.7% in advertising revenue from terrestrial TV broadcasting in Hong Kong over the same period of last year.

Under the current inflation cycle in Hong Kong, we reviewed and adjusted in July the salaries and wages of our employees to keep pace with the living cost increases and to award our better performers. These efforts, although gave rise to increase in costs, helped maintain a robust workforce. We will continue to develop the television industry through our development programmes for script writers and artistic talents who will become an important part of our production team in the years to come.

On 8 August 2012 and after receiving the final approval and a business licence certificate from the relevant PRC authorities, we commenced our joint venture with the Shanghai Media Group and China Media Capital to further our business development including programme licensing and distribution business in mainland China. This marked the beginning of a very significant step forward for our business operations in the Mainland. I would like to wish the joint venture every success, and look forward to working closely with our partners in this venture.

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 22 August 2012

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

TV ADVERTISING

Advertising revenue from Hong Kong terrestrial TV broadcasting for the Period grew by 5.7% from HK\$1,206 million to HK\$1,274 million. Growth in revenue from the second quarter of 2012 was significant, given that the second quarter is usually a quiet quarter amongst the four quarters.

Spending in skin care/cosmetic products continued to show modest growth, and milk powder spending maintained its low double-digit growth. Digital/electronics equipment (cameras, mobile phones, tablet computers), restaurants and supermarket/stores contributed strong advertising revenue. With the exception of lending services/finance companies, spending in financial services categories (including banks and credit cards) continued to be weak.

The key growing categories in the Period were mobile phone networks and digital/electronics equipment. Revenue in the Period was also exceptionally boosted by campaigns by China property developments, company anniversary campaigns (e.g. Citibank's 200th Anniversary) and reunification projects.

We continued to aggressively promote our integrated advertising packages to small and medium-sized advertisers (including our TV channels, online and magazine offerings) which generated positive response from the market.

TERRESTRIAL TV CHANNELS PERFORMANCE

During the Period, TVB attained even better TV rating¹ results than last year, further strengthening its dominant position in the terrestrial free TV market. Jade² achieved an average of

93% audience share³ during weekday primetime⁴, up from 86% in 2011. Pearl achieved an average of 83% share during weekly primetime⁵, versus 78% in 2011.

High-quality, in-house produced drama serials remained a key attraction for our audience. *The Hippocratic Crush*, headlined by Tavia Yeung Yi and Kenneth Ma Kwok Ming, was the top-rated title for the Period, achieving 31 TVRs and 94% share on average. The hospital drama, which featured up-and-coming artistes such as Law Chung Him and Mandy Wong Chi Man, revolved around the lives of young doctors and their mentors.

Drama themes echoing social issues and phenomenon continued to gain audience acclaim in 2012, which included *Wish and Switch*, a comedy about a housewife's obsession with a website that lets her exchange what she owns for anything she wants; *L'Escargot*, which explored the problems faced by the younger generation who could not afford to buy their own apartments; and *No Good Either Way*, which depicts the lives of Hong Kong employees and their abusive bosses.

A new weekday family situation comedy *Come Home Love* – launched in May after *Til Love Do Us Lie* wrapped up – achieved stable average ratings of 25 TVRs.

To strengthen weekend primetime programming, we strategically scheduled the airing of five drama series' finales on Sundays. Furthermore, a new police TV drama, *Tiger Cubs* was scheduled on Saturday and Sunday night-time slots – the second one since *The File of Justice* in 1995. The debut episode of *Tiger Cubs* on 24 June (Sunday) achieved an average rating of 29 TVRs, which was 59% higher than the ratings recorded in the corresponding time slots of the four Sundays prior to its airing.

¹ TV rating (TVR) represents the size of the audience expressed as a percentage of the total TV population. For 2012, the total TV population comprises 6,407,000 viewers, and therefore, 1 TVR represents 64,070 viewers (1% of the total TV population). TV ratings data source: CSM Media Research.

² During weekday primetime, Jade is defined as an aggregate of Jade and HD Jade ("Total Jade").

³ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. TV ratings data source: CSM Media Research.

⁴ Jade's weekday primetime runs from 7 p.m. to 11 p.m. between Monday and Friday.

⁵ Pearl's weekly primetime runs from 8 p.m. to 1 a.m. between Monday and Sunday.

REVIEW OF OPERATIONS

In the non-drama category, the breakout programme was *Bride Wannabes*, a reality show featuring five single women in their pursuit of “Mr. Right”. It achieved an average rating of 25 TVRs, an 18% increase over the programmes broadcast in the same time slot in 2011. The show also captured strong online ratings⁶ of 3.1 TVRs. Other popular titles included a new game show, *Battle of the Senses*, and a new travelogue, *Homecoming*, featuring TVB artistes returning to their hometowns in mainland China and introducing local cultures to the audience. These shows achieved strong average ratings of 27 TVRs and 21 TVRs, respectively.

During Chinese New Year, TVB successfully engaged the audience by introducing an interactive game called *CNY Lucky* where viewers could send their answers via smart phone during the Chinese New Year period and win prize money in the form of red packets. More than nine million votes received over the three-day event between 23 January and 25 January, and a total of 123 red packets worth HK\$738,000 were given away. The game boosted the ratings of *CNY Fireworks Display 2012* and *2012 Cathay Pacific International Chinese New Year Night Parade* by 28% and 24% respectively compared to the same programmes aired in 2011.

Since 7 May, we began including a session called *Pearl Tonight* in Jade’s infotainment programme, *Scoop*, on weekdays as part of our cross-channel promotion. This measure helped push up Pearl’s primetime ratings to a monthly high of 1.9 TVRs in June.

Documentaries as well as variety and reality shows continued to be well received. *Life on Fire*, a documentary on volcanoes, attracted an average rating of 4.7 TVRs and 83% share in June; *Breaking the Magician’s Code: Magic’s Biggest Secrets Finally Revealed* also achieved high ratings of 4.4 TVRs on weekends in June; and *Junior MasterChef Australia* – strategically scheduled to air on two weekdays per week, attained 21% higher ratings than its previous season broadcast in 2011.

Movies on Pearl remained its top attractions. Blockbuster *The Day the Earth Stood Still* became the top-rated English channel programme during the Period, with an average rating of 10 TVRs and 97% share. A series of new dramas produced by

acclaimed director Steven Spielberg, including *Terra Nova* and *Falling Skies*, drew many fans and reached an average rating of 2.1 TVRs and 2.0 TVRs as of June, respectively.

Under the joint effort of the Government and three local TV stations, an agreement was reached in July 2012 to allow the two terrestrial TV stations, being TVB and Asia Television Limited (“ATV”), to carry the London 2012 Olympic Games allowing Hong Kong audiences to follow the events on the free-to-air channels, in addition to the more comprehensive coverage on a pay TV station. Under this agreement, TVB and ATV jointly produced for the first time the Olympics live programmes and event highlights totalling 200 hours, which were broadcast and shared between TVB and ATV channels. This service attracted good TV ratings on Pearl.

Continuing its upward trend, HD Jade attracted a weekly average of 2.7 million viewers in its non-simulcast time slot during the first six months, representing a 24% increase over the same period in 2011. Acquired major Mainland dramas such as *Three Kingdoms* and high-quality documentaries, including *Frozen Planet* and *When The Louvre And The Forbidden City Come Together*, contributed to the high-definition channel’s success. In June, it carried a simulcast of four live matches from the UEFA EURO 2012 – a much-awaited international sports event for soccer fans. The final match, *Spain Vs. Italy*, achieved an outstanding rating of 8 TVRs and 95% share, representing a 53% increase over the UEFA EURO Final in 2008.

J2’s ratings also improved during its primetime (Mon-Sun 19:00-24:00) by 50% in the first six months over the same period last year, making it the second highest rated channel (after Total Jade) during weekday primetime (Mon-Fri 19:00-24:00) since May. In-house productions continued to strengthen during the Period, including the launch of a new talk show by famous DJ Vincci Cheuk, *I Know Men*, in January. Travelogues remained the most attractive genre for J2’s audience, with average ratings increasing by 42% compared to the same time slot⁷ last year. A new series of travelogues, *When in Taiwan* and *Singapore Galore*, were introduced in March and May respectively; both were well received. To strengthen its music programme offerings, J2 continued

⁶ Data sourced from Nielsen SiteCensus and then converted based on TV ratings formula.

⁷ J2’s travelogue time slot runs from 8:30 p.m. to 9:30 p.m. between Monday and Friday.

to serve as the official broadcaster of this year's Hong Kong Asian-Pop Music Festival, which aims to identify and promote new singers who have regional appeal.

iNews, which underwent a revamp on 30 June, remained the most watched 24-hour news channel in Hong Kong. On 25 March, the day of the Hong Kong Chief Executive election, 80% of the audience tuned in to TVB. The station boosted its news coverage by appointing the Chinese University of Hong Kong to conduct four opinion polls of the Chief Executive candidates from December 2011 to the week prior to the election. The *2012 Chief Executive Candidates Forum* achieved an average rating of 31 TVRs on Jade – 31% higher than the same programme telecasted in 2007, while the *Chief Executive Election Debate 2012* attained an average of 29 TVRs.

SUPPLY OF CHANNELS TO PAY TV PLATFORM

From April 2012, TVB provides an additional channel, TVB Encore, which assembles TVB Jade's weekly primetime programmes for same-day review. The 12 channels being supplied are TVB Lifestyle; TVB Drama; TVB Classic; TVB Select; TVB Entertainment News; TVB Kids; TVB Food; TVB Movies; TVBM (a music channel); TVBN and TVBN2 (both offering 24-hour news service) and TVB Encore.

As further explained under Investment in Hong Kong Pay TV Platform, from 1 January 2012, TVB supplies the channels to TVB Pay Vision Limited ("TVBPV") in exchange for an additional 25% share, which TVBPV was previously entitled to, of the advertising revenue that can be generated from the said channels.

DIGITISATION

The growth in digital household penetration continued at the approximate pace of 2.5% per quarter (10% per year), reaching 71.4% of all households by June 2012 (previous quarter: 69.2%).

We are in the final stages of securing approval for changing the source coding of the Multi Frequency Network (MFN) which currently simulcasts our Jade and Pearl channels from MPEG-2 to MPEG-4. When this is approved, we will be in a position to broadcast Pearl in high definition.

Three technical trials are also being prepared, in cooperation with Radio television Hong Kong. The first is to test the impact of using more advanced channel coding (PN420) to improve the bit rate yield. The second test is for the new advanced Chinese DTT standard called DMBT Advanced. Finally, the broadcasting of 3DTV over the air will also be tested. These trials will be conducted from September to November 2012.

DIGITAL BUSINESS DEVELOPMENT

Advertising revenue for tvb.com grew by 54% over last year in the Period. This strong growth helped compensate for a drop in licensing income from other mobile operations, resulting in an overall gross revenue growth of 36% for the first half.

The dedicated efforts of the online sales, traffic and research teams to monetise every piece of online inventory resulted in high sell-through rates and premium CPM's.

In-stream video advertising sell-through rates exceeded practical operational limits (usually 70-80%), achieving over 90% throughout most of the quarter. Other ad units that sold well were wallpaper and first-fold banner ads on key pages (home page, category index pages).

A major development in the monetisation of myTV Mobile is the launch of mid-roll in-stream video ads. This was achieved in June and we look forward to significant mobile advertising revenue contribution in the second half of this year.

The TVB News App has also undergone final stages of debugging and trial, and will be launched in the third quarter.

REVIEW OF OPERATIONS

OTHER HONG KONG OPERATIONS

PAY TV BUSINESS

Investment in Hong Kong Pay TV Platform

As reported in the 2011 Annual Report, the Group's economic interest in TVB Pay Vision Holdings Limited ("TVBPVH") was further increased from 62% to 90% during the Period, through the acquisition of additional non-voting shares in TVBPVH under two sale and purchase agreements for a total cash consideration of HK\$194 million. The Group's voting interest in TVBPVH remains at 15%. As the Group does not exercise control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for as an associate in the accounts of the Group.

During the Period, the channel supply arrangement between TVB and TVB Pay Vision Limited (the operating subsidiary of TVBPVH) has been restructured. Under the revised terms, TVB supplies, from 1 January 2012, the channels to TVBPV in exchange for an additional 25% share, which TVBPV was previously entitled to, of the advertising revenue that can be generated from the said channels.

TVB's share of TVBPVH's net loss for the Period was approximately HK\$195,000, as a result of equity accounting of losses during the Period (2011: a net loss of HK\$29 million).

MOVIE PRODUCTION

TVB continues to produce movies under a joint venture with Shaw Productions Ltd. *I Love Hong Kong 2012* was released in Hong Kong and the international markets in January 2012. The Hong Kong box office reached HK\$20 million during Chinese New Year. Production for a new movie – *Buddy Cops* is targeted for release in Hong Kong in October 2012.

MAGAZINE PUBLISHING

Results in the second quarter had improved over the first quarter, resulting in 8% turnover growth and a modest profit of HK\$2 million.

The actions to revamp TVB Weekly reached a conclusive stage in the second quarter. On 9 July 2012, TVB Weekly was re-launched at a lower cover price of HK\$10 and restructured into two books. The first book consists of many feature stories

and lifestyle articles. The second book, called "TVB Zone" is a more focused offering of our programme schedules and detailed programme synopses.

These actions provide a foundation for the future development of a hybrid paid and free magazine model.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution grew 9% from HK\$425 million to HK\$463 million during the Period. Strong revenue growth was recorded from licensing of our programmes in traditional markets. This business continued to contribute growth in segment profit from HK\$284 million to HK\$313 million, representing an increase of 10%.

In Malaysia, the economy was affected by the government election as most of the advertisers withheld their budgets pending the outcome of the election. Given that our three-year supply agreement with ASTRO All Asia Networks plc ("ASTRO") will expire in the first quarter of 2013, TVB and ASTRO have begun discussions on the terms for renewal. As the major content provider to Wah Lai Toi channel under the ASTRO platform, TVB will devote additional resources to develop local production so as to strengthen our position in the Malaysian market against competition from other importers of programmes from Asia.

In Singapore, we are working well with our business partner StarHub Cable Vision Ltd, despite increasing competition from the Korean and Taiwanese imported programmes which have been eroding our audience base. More resources will be allocated to promote our content via different media platforms in an attempt to recoup the younger generation.

In Vietnam, a multi-year contract for distributing TVB Vietnamese drama channel was concluded with Saigontourist Cable Television Company Limited ("SCTV"), the largest cable network in Vietnam which has a market share of over 60% and covers key cities including Ho Chi Minh City and Hanoi. TVB Vietnamese drama channel also captured the highest rating among other channels on the SCTV platform. This new multi-year contract is seen as a critical step to a successful collaboration with key operators in developing countries.

Riding on the success in Vietnam, TVB continues to widen our network for distribution of our programmes in non-traditional markets. In the first half of 2012, preliminary studies on market potential were undertaken for Indochina markets including Indonesia and Cambodia, as well as for the Latin America markets covering Argentina, Brazil, Panama, Peru and Venezuela. These countries represent new markets to us, and due to the substantial population of Chinese residents in key cities, we believe the demand for Chinese language programmes will be strong. We started discussions with local operators who have expressed interest in carrying TVB channels or distributing TVB programmes. In the course of the next few months, we will be finalising our distribution strategies.

CHINA OPERATIONS

A joint venture named 上海翡翠東方傳播有限公司 (“TVBC”) between TVB, the Shanghai Media Group (“SMG”) and China Media Capital (“CMC”) in the shareholding ratio of 55% owned by TVB and in aggregate of 45% owned by SMG and CMC received the final approval and a business licence certificate from the relevant PRC authorities on 8 August 2012. TVBC will carry the primary objective to distribute TVB programmes and develop other business initiatives with TVB’s wealth of resources throughout mainland China. The key business scope of TVBC includes the licensing of TVB programmes to TV stations and Internet portals in the Mainland, the management and distribution of two TVB Hong Kong channels (Jade and Pearl) in Guangdong Province. TVBC will also handle matters in relation to the stage performance of our management artistes in the Mainland.

The uptrend in China revenue continued in the first six months of 2012 and outgrew the nation’s GDP for the Period by far. In the midst of the cooling mainland China marketplace especially in the media business, our business in the first half of the year grew as budgeted. The growth was attributed to the increasing episodic price of our drama serials. The somewhat conservative GDP growth projection in 2012 by the PRC government reflects its concerns of the overall economy. In addition, a series of SARFT (The State Administration of Radio Film and Television) policies which was issued to cool down the rapid growth in the Chinese TV programme market began to make an impact. However, relaxation of some of those policies that control drama types is expected after a cool down period.

As a major importer of programmes into mainland China, our business performance has been much affected by the local policies and political environment. Through TVBC, we hope to transform our business in the mainland China market from licensing and distribution to one with involvement in different dimensions of the media industry. We will have the opportunities to participate in the production of local dramas by means of investment, trades of production resources such as artistes, scripts, etc. Revenue opportunities in product placements inside the dramas that TVBC will take part in can be created by the synergies with TVB’s advertising functions.

OVERSEAS SATELLITE PAY TV OPERATIONS

Overall in this Period, the turnover for the three TVB platforms overseas recorded a turnover of HK\$187 million (2011: HK\$193 million), representing a decline of 3%. The decline was attributable to certain loss of subscribers due to online pirated programmes. In this segment, we have established an internal task force to combat against the illegal practice on a continuous basis.

During the Period, a brand new Vietnamese pay TV service comprising two channels was launched in Australia. The response from the local Vietnamese community was positive. In addition, we enriched the content of the Chinese language channel package by replacing two existing Mandarin channels with Mei Ah Movie Channel and Star Movie Channel which have wider appeal. This helped raise the monthly subscription fee by around 7%. In Europe, we introduced a new IPTV service after a six month trial period, alongside our satellite distribution. A new Chinese movie channel will be added to the existing Cantonese package to further enhance the channel line-up. In USA, the business was relatively stable with slight growth in advertising income during the Period.

In all of the markets, online piracy is rampant. It has already affected our subscription services in USA, Australia and Europe. TVB is taking a serious and aggressive stance to curb illegal distribution of programme content and, as mentioned above, a dedicated task force comprising of legal and IT experts has been set up to combat infringement actions, including raiding the sources of illegal contents.

REVIEW OF OPERATIONS

TAIWAN OPERATIONS

TVBS – Taiwan

More robust revenue and success in reducing spending in the second quarter helped overcome a lackluster first quarter. The growth in revenue was made since the start of the year represented a testimony to our sales team's spectacular effort. As the typhoon season arrived earlier than usual, the news channel received an unexpected lift. Incremental improvements in both ratings and advertisement buys for the entertainment channel were the factors contributing to an exceptional first half.

However, the prospect for the second half is less encouraging as there will be no election to boost revenue this time. The summer months have never been a strong period for TVBS due to our consistent lack of entertainment programming favoured by younger viewers. Therefore, the third quarter will probably be a difficult one. The fourth quarter, we hope, will help us hold the fort and as long as there are no downside surprises.

CHANNEL OPERATIONS

TVB8 and Xing He

The cautious spending behaviour of advertisers before election in Malaysia had a negative impact on the business. Total revenue experienced a drop of 7% to HK\$54 million. Nonetheless, positive feedback was received for carrying the TVB8 channel in Malaysia on a new platform via Telecom Malaysia (TM Net) IPTV services. The subscription performance was promising with an intake of around 10,000 subscribers during the Period. Xing He channel has been well received by the audiences and advertisers in both Malaysia and Singapore. To widen distribution in Asia, TVB8 channel will also be distributed to Indonesia with Bahasa subtitle in the fourth quarter of 2012. More local events will be organised in the region to enhance the publicity of both TVB8 and Xing He channels e.g. International Chinese New Talent Singing Championship and International New Era Chinese Kung Fu Competition.

FINANCIAL REVIEW

OPERATING RESULTS FOR THE PERIOD

For the six months ended 30 June 2012, the Group recorded a turnover of HK\$2,451 million (2011: HK\$2,365 million), representing an increase of 4% over the same period of last year. Cost of sales amounted to HK\$895 million (2011: HK\$840 million), representing an increase of 7% over the same period of last year. Gross profit for the Period stood at HK\$1,556 million (2011: HK\$1,525 million).

Included in cost of sales were the cost of programmes, film rights and stocks for the Period which amounted to HK\$594 million (2011: HK\$539 million), representing an increase of 10% over the same period of last year.

Selling, distribution and transmission costs for the Period amounted to HK\$247 million (2011: HK\$232 million), an increase of 6% over the same period of last year, mainly due to increase in staff costs in Hong Kong.

General and administrative expenses for the Period amounted to HK\$309 million (2011: HK\$266 million), representing an increase of 16% over the same period of last year.

During the Period, the Group's economic interest in an associate, TVBPVH increased from 62% to 90% while its voting interest remained at 15%. Effective 1 January 2012, TVBPV agreed to restructure the channel supply agreement ("Restructured Agreement") which covers the supply of pay TV channels by TVB to TVBPV. Under the Restructured Agreement, TVB will provide the channels to TVBPV in exchange for an additional 25% share, which TVBPV was previously entitled to, of the advertising revenue which the pay channels generate. As a result, the Group's share of the losses of TVBPVH reduced from HK\$29 million for the six months ended 30 June 2011 to less than HK\$0.2 million for the Period.

Income tax for the Period amounted to HK\$180 million (2011: HK\$305 million), a decrease of HK\$125 million as a provision of HK\$118 million relating to the tax challenge from the Inland Revenue Department of Hong Kong ("IRD") on profits generated in prior years by the Group's programme licensing and distribution business carried out overseas was included in 2011 and no such provision against profits generated in prior years was made during the six months ended 30 June 2012.

Overall, the Group's profit attributable to equity holders amounted to HK\$850 million (2011: HK\$719 million), representing an increase of 18% over the same period of last year. The earnings per share was HK\$1.94 (2011: HK\$1.64).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong. At 30 June 2012, total equity stood at HK\$7,189 million (31 December 2011: HK\$7,093 million).

The Group had bank deposits and cash balances of HK\$3,526 million at 30 June 2012 (31 December 2011: HK\$3,693 million). About 12% of bank deposits and cash balances were maintained in overseas subsidiaries for their daily operations. Bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars.

The Group's net current assets amounted to HK\$4,204 million (31 December 2011: HK\$4,297 million), representing a decrease of 2% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities, was 4.0 at 30 June 2012 (31 December 2011: 4.2).

The Group's total bank borrowing at 30 June 2012 was HK\$213 million, which is secured, denominated in New Taiwan dollars and interest bearing at floating rates. The maturity profile of the Group's borrowing was as follows: within one year, HK\$25 million (12%); in the second year, HK\$25 million (12%); in the third to fifth years, HK\$74 million (34%); over five years, HK\$89 million (42%). At 30 June 2012, the gearing ratio, expressed as the ratio of gross debts to total equity, stood at 3.0% (31 December 2011: 3.1%).

At 30 June 2012, certain assets of a subsidiary of the Group with a net asset value of HK\$803 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK\$7 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

At 30 June 2012, capital commitments of the Group amounted to HK\$446 million (31 December 2011: HK\$496 million), representing a decrease of 10%.

TAX AUDIT

In 2004, the IRD initiated a tax audit on the Group. Since then the Group has received protective profits tax assessment notices from the IRD for the eight consecutive years of assessment from 1998/99 to 2005/06 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$24 million, HK\$24 million, HK\$20 million, HK\$35 million, HK\$49 million, HK\$54 million, HK\$56 million and HK\$57 million for the eight consecutive years of assessment from 1998/99 to 2005/06 respectively. The total amount of tax reserve certificates purchased by the Group is HK\$319 million. Similar additional assessments may be issued for subsequent years of assessment.

The Group is in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. As of 30 June 2012, the Group has provided a total provision of HK\$324 million against the potential tax exposures for the years of assessment from 1998/99 to 2010/11. The tax provision is considered to be adequate and not excessive.

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

REVIEW OF OPERATIONS

CONTINGENT LIABILITIES

At 30 June 2012, there were guarantees given to bank amounting to HK\$10 million (31 December 2011: HK\$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

At 30 June 2012, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,411 full-time employees (31 December 2011: 4,251).

About 27% of the Group's manpower is employed in overseas subsidiaries and is paid on a scale and system appropriate to the respective localities and local legislations. For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance.

The Group does not operate any employee share option scheme.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS AND ITS COMMITTEES

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

The Board is supported by four Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of them has defined terms of reference covering its duties, powers and functions. The terms of reference of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the website of the Company.

On 1 January 2012, Dr. Norman Leung Nai Pang, who was previously the Executive Deputy Chairman between September 2003 and December 2011, was appointed as the Executive Chairman of the Board.

On 3 February 2012, Mrs. Christina Lee Look Ngan Kwan retired as a Non-executive Director and as a member of the Executive Committee of the Company. Mr. Anthony Lee Hsien Pin, her son, ceased to act as her Alternate Director on the same day. On 3 February 2012, Mr. Anthony Lee Hsien Pin was appointed as a Non-executive Director of the Company. Pursuant to the Articles of Association of the Company

("Articles"), he held office as a Director until the annual general meeting of the Company which was held on 16 May 2012 ("2012 AGM"). Mr. Lee was successfully elected at the 2012 AGM.

On 3 February 2012, Ms. Vivien Chen Wai Wai resigned as an Independent Non-executive Director and as a member of the Remuneration Committee of the Company.

On 3 February 2012, Mr. Chen Wen Chi, who was previously an Alternate Director to Ms. Cher Wang Hsiueh Hong between 13 May 2011 and 3 February 2012, was appointed a Non-executive Director of the Company. Pursuant to the Articles, he held office as a Director until the 2012 AGM. Mr. Chen was successfully elected at the 2012 AGM.

On 3 February 2012, Mr. Harvey Chang Hsiao Wei was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong.

On 21 March 2012, Dr. Charles Chan Kwok Keung and Mr. Chen Wen Chi were appointed as members of the Executive Committee of the Company.

On 21 March 2012, the Nomination Committee was established. Dr. Chow Yei Ching was appointed the Chairman, and Mr. Anthony Lee Hsien Pin and Mr. Edward Cheng Wai Sun were appointed as members of the Nomination Committee of the Company.

On 31 March 2012, Ms. Mona Fong retired as Deputy Chairperson and Managing Director and was re-designated as a Non-executive Director of the Company on 1 April 2012.

On 18 June 2012, Mr. Sun Tao was appointed as an Alternate Director to Mr. Jonathan Milton Nelson in place of Mr. Chen Xian who ceased to act as an Alternate Director to Mr. Nelson on the same day.

CORPORATE GOVERNANCE AND OTHER INFORMATION

At 30 June 2012, the Board and its Committees comprised:

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

n/a: not applicable

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

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest biographical details of the Directors in the 2011 Annual Report of the Company and during the Period and up to the date of this interim report, there were the following changes in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

On 27 April 2012, PSC Corporation Ltd, a company listed on the Singapore Stock Exchange Limited of which Dr. Allan Yap is the executive chairman, was renamed Hanwell Holdings Limited.

On 1 May 2012, Mr. Harvey Chang Hsiao Wei was appointed the chairman of Liann Yee Production Co., Ltd., a wholly-owned subsidiary of the Company in Taiwan.

On 17 May 2012, Dr. Norman Leung Nai Pang (who was previously the deputy chairman of Transport International Holdings Limited ("TIHL"), a listed company on the Stock Exchange, between June 2001 and May 2012) was re-designated as the chairman of TIHL. Further, on 1 July 2012, Dr. Leung was appointed an independent non-executive director of Sun Hung Kai Properties Limited, a listed company on the Stock Exchange.

On 4 June 2012, Dr. Chow Yei Ching retired as an independent non-executive director of Towngas China Company Limited, a listed company on the Stock Exchange.

On 10 August 2012, Mr. Mark Lee Po On was appointed as a non-executive director of Hanwell Holdings Limited, a company listed on the Singapore Stock Exchange Limited.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted its own code on corporate governance, the TVB Code on Corporate Governance ("Code"). Further updates to the Code had been made from time-to-time to reflect changes in corporate governance practices as set out in Appendix 14 to the Listing Rules.

Following the amendments to the Listing Rules and the Corporate Governance Code relating to corporate governance effective on 1 January 2012 and 1 April 2012, the Board approved the latest updates to the Code in March 2012 to align the Code with the latest changes.

Save as disclosed below, the Company was substantially in compliance with the code provisions of the Code on Corporate Governance Practices as set out in old Appendix 14 (which were in effect until 31 March 2012) and the code provisions of the Corporate Governance Code as set out in Appendix 14 (which took effect from 1 April 2012) to the Listing Rules ("CG Code") during the Period.

In respect of compliance with code provision A.4.2 of the CG Code, the Company noted that the Chairman was not subject to retirement under Article 114(C) of the Company's Articles of Association ^(Note). The Company put forward a special resolution at the 2012 AGM, and the shareholders, among other things, approved the special resolution to amend the Articles by removing the exclusion of the Chairman from the requirement to retire at the conclusion of the third annual general meeting following his appointment. Therefore, the Company now complies with A.4.2 of the CG Code.

In respect of compliance with code provision A.6.7 of the CG Code, the Company noted that certain Non-executive Directors were not able to attend the 2012 AGM due to other commitments.

Note: Under this Article, the Chairman was exempted from retirement as it was considered that this deviation was well-founded as the former Chairman, Sir Run Run Shaw being a founder of the Company, had a wealth of experience which was essential to the Board and contributed to the continued stability of the Company's business.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code"), as amended from time to time, as the code for Directors and Senior Management in their dealings in the securities of the Company.

Mrs. Christina Lee Look Ngan Kwan who retired as Non-executive Directors of the Company on 3 February 2012, confirmed, following specific enquiries by the Company, that she had complied with the Model Code throughout the period between 1 January 2012 and 3 February 2012.

Ms. Vivien Chen Wai Wai, who resigned as Independent Non-executive Director of the Company on 3 February 2012, confirmed, following specific enquiries by the Company, that she had complied with the Model Code throughout the period between 1 January 2012 and 3 February 2012.

Mr. Harvey Chang Hsiao Wei, who was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, on 3 February 2012, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 3 February 2012 and 30 June 2012.

Mr. Sun Tao, who was appointed as an Alternate Director to Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, on 18 June 2012, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 18 June 2012 and 30 June 2012.

Mr. Stephen Chan Chi Wan, who resigned as General Manager – Broadcasting on 29 February 2012, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1 January 2012 and 29 February 2012.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERNAL CONTROLS

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

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

To assist the Board in its monitoring control function, an internal audit department ("Internal Audit") has been established 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.

A report on the review of internal controls for the year ending 31 December 2012, pursuant to the requirements set out under Appendix 14 of the Listing Rules, will be included in the next annual report of the Company.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company whose report is set out on page 41. The Audit Committee (comprising Mr. Gordon Siu Kwing Chue (Chairman), Mr. Chien Lee and Mr. Kevin Lo Chung Ping) has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed consolidated financial information and this interim report for the Period.

INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.60 per share for the 438,000,000 ordinary shares in issue of HK\$0.05 each in respect of the six months ended 30 June 2012. The interim dividend will be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 26 September 2012. The dividend warrants will be despatched to shareholders on or around 5 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for two days from Tuesday, 25 September 2012 to Wednesday, 26 September 2012 for the purpose of determining shareholders' entitlement to the interim dividend. During the said book close period, no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 September 2012.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2012, the interests and short positions of the Directors in the shares of the Company as recorded in the register required to be kept pursuant to Section 352 of Part

XV of the Securities and Futures Ordinance, Chapter 571 ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Long position in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.05 each held					Percentage of issued share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Charles Chan Kwok Keung	–	–	113,888,628	–	113,888,628 ^{#(b)}	26.00
Cher Wang Hsiueh Hong	–	–	113,888,628	–	113,888,628 ^{#(c)}	26.00
Jonathan Milton Nelson	–	–	–	113,888,628	113,888,628 ^{#(d)}	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 ^{#(e)}	26.00
Mona Fong	1,146,000	15,950,200 ^(f)	–	–	17,096,200	3.90
Chien Lee	350,000	–	–	–	350,000	0.08
Mark Lee Po On	–	250,000	–	–	250,000	0.06
Chow Yei Ching	100,000	–	–	–	100,000	0.02

Notes:

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

At 30 June 2012:

- Shareholding percentage in the issued share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company held through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers is an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which is controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").
- Ms. Cher Wang Hsiueh Hong was deemed to be interested in these 113,888,628 shares of the Company which Profit Global Investment Limited ("Profit Global") was interested in. Profit Global, in which Ms. Wang indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- Mr. Jonathan Milton Nelson was deemed to be interested in these 113,888,628 shares of the Company which P6 YL Holdings Limited ("P6YL") was interested in. P6YL, in which Mr. Nelson indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such share interest is indirectly held by his spouse, Ms. Cher Wang Hsiueh Hong through Profit Global, in which Ms. Wang indirectly holds an interest. Profit Global is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- These 15,950,200 shares were held by The Shaw Foundation Hong Kong Limited ("Shaw Foundation"). Shaw Holdings Inc. holds 100% equity interest in Shaw Foundation. Sir Run Run Shaw, Ms. Fong's husband, exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save for the information disclosed above, at 30 June 2012, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

a party to any arrangements to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2012, the interests or short positions of the persons (other than the Directors of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

Long position in the shares of the Company

Name	Number of ordinary shares of HK\$0.05 each held	Percentage of issued share capital (%) ^(a)
Shaw Brothers Limited ^(b)	113,888,628 ^(c)	26.00
Young Lion Holdings Limited	113,888,628 ^{(c) & (f)}	26.00
Kun Chang Investment Co. Ltd.	113,888,628 ^(d)	26.00
Profit Global Investment Limited	113,888,628 ^{(d) & (f)}	26.00
Providence Holdco (International) GP Ltd.	113,888,628 ^(e)	26.00
Providence Fund Holdco (International) L.P.	113,888,628 ^(e)	26.00
PEP VI International Ltd.	113,888,628 ^(e)	26.00
Providence Equity GP VI International L.P.	113,888,628 ^(e)	26.00
Providence Equity Partners VI International L.P.	113,888,628 ^(e)	26.00
P6 YL Holdings Limited	113,888,628 ^{(e) & (f)}	26.00
Dodge & Cox	37,043,100 ^(g)	8.46
Matthews International Capital Management, LLC	26,453,833 ^(g)	6.03

Notes:

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

At 30 June 2012:

- (a) Shareholding percentage in the issued share capital was based on 438,000,000 ordinary shares of the Company in issue.
- (b) Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It is an indirect wholly-owned subsidiary of YLH.
- (c) YLH was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is an indirect wholly-owned subsidiary of YLH which is controlled by Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, through IVH. On 23 November 2011, the Company was informed that IVH had been added in the shareholding structure as an intermediate company controlled by Dr. Charles Chan Kwok Keung to hold the controlling interest in YLH.

- (d) Profit Global was deemed to be interested in the 113,888,628 shares of the Company. Profit Global is controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company.
- (e) P6YL was deemed to be interested in the 113,888,628 shares of the Company. P6YL is controlled by Providence Holdco (International) GP Ltd. through its direct and indirect wholly-owned subsidiaries. P6YL is a wholly-owned subsidiary of Providence Equity Partners VI International L.P., which is in turn a wholly-owned subsidiary of Providence Equity GP VI International L.P.. Providence Equity GP VI International L.P. is a wholly-owned subsidiary of PEP VI International Ltd., which is in turn a wholly-owned subsidiary of Providence Fund Holdco (International) L.P.. Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, holds controlling interests in P6YL through Providence Holdco (International) GP Ltd. and its subsidiaries as abovementioned.
- (f) Dr. Charles Chan Kwok Keung, Profit Global, P6YL, YLH, Young Lion Acquisition Co. Limited, IVH, Clear Water Bay Land Company Limited and Shaw Brothers are parties of an agreement to acquire the interest in the 113,888,628 shares in the Company. This agreement is an agreement to which Section 317(1)(a) of the SFO applies.
- (g) Interests were held in the capacity of investment managers.

Save for the information disclosed above, at 30 June 2012, no other persons (other than the Directors of the Company) had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO or as otherwise notified the Company.

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

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

ARTICLES OF ASSOCIATION

The Company had, by passing a special resolution at 2012 AGM, amended certain provisions in the Articles following the amendments to the Listing Rules relating to the Corporate Governance Code and associated Listing Rules which took effect on 1 January 2012 and 1 April 2012, in order to bring them in line with the Listing Rules.

INTERIM REPORT

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

FINANCIAL INFORMATION

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Note	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,316,120	2,352,012
Investment properties	5	11,461	11,821
Land use rights	5	53,921	55,614
Goodwill	5	172,474	170,525
Interests in jointly controlled entities		15,783	16,604
Interests in associates	6	725,190	529,112
Available-for-sale financial assets		3	3
Deferred income tax assets		21,658	26,050
Prepayment	7	20,888	16,695
Total non-current assets		3,337,498	3,178,436
Current assets			
Programmes and film rights		391,726	336,911
Stocks		13,265	13,122
Trade and other receivables, prepayments and deposits	7	1,643,745	1,605,239
Tax recoverable		4,118	461
Pledged bank deposits		7,217	7,316
Bank deposits maturing after three months		14,143	397,060
Cash and cash equivalents		3,512,264	3,295,584
Total current assets		5,586,478	5,655,693
Total assets		8,923,976	8,834,129
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	21,900	21,900
Other reserves	9	843,859	807,568
Retained earnings			
– Interim/final dividend	16	262,800	766,500
– Others		6,030,495	5,467,480
Non-controlling interests		7,159,054	7,063,448
		30,267	30,044
Total equity		7,189,321	7,093,492

	Note	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowing	11	188,014	197,153
Deferred income tax liabilities		158,859	179,779
Retirement benefit obligations		5,187	5,189
Total non-current liabilities		352,060	382,121
Current liabilities			
Trade and other payables and accruals	10	834,205	896,693
Current income tax liabilities		523,765	437,589
Borrowing	11	24,625	24,234
Total current liabilities		1,382,595	1,358,516
Total liabilities		1,734,655	1,740,637
Total equity and liabilities		8,923,976	8,834,129
Net current assets		4,203,883	4,297,177
Total assets less current liabilities		7,541,381	7,475,613

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

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Turnover	4	2,451,157	2,365,288
Cost of sales		(895,088)	(839,948)
Gross profit		1,556,069	1,525,340
Other revenues	12	34,470	19,659
Selling, distribution and transmission costs		(246,501)	(231,703)
General and administrative expenses		(309,087)	(266,142)
Other (losses)/gains, net		(1,252)	9,662
Finance costs		(2,019)	(2,004)
Share of losses of:			
Jointly controlled entities		(821)	(1,164)
Associates		(195)	(28,951)
Profit before income tax	13	1,030,664	1,024,697
Income tax expense	14	(179,817)	(305,245)
Profit for the period		850,847	719,452
Profit attributable to:			
Equity holders of the Company		849,940	718,604
Non-controlling interests		907	848
		850,847	719,452
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	15	HK\$1.94	HK\$1.64
Dividends	16	262,800	197,100

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	850,847	719,452
Other comprehensive income:		
Currency translation differences	12,244	6,905
Other comprehensive income for the period	12,244	6,905
Total comprehensive income for the period	863,091	726,357
Total comprehensive income for the period attributable to:		
Equity holders of the Company	862,106	725,472
Non-controlling interests	985	885
Total comprehensive income for the period	863,091	726,357

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

FINANCIAL INFORMATION

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Note	Unaudited					
		Attributable to equity holders of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2011		21,900	818,244	5,620,720	6,460,864	27,154	6,488,018
Comprehensive income:							
Profit for the period		-	-	718,604	718,604	848	719,452
Other comprehensive income:							
Currency translation differences		-	6,868	-	6,868	37	6,905
Total comprehensive income for the period ended 30 June 2011		-	6,868	718,604	725,472	885	726,357
Transactions with owners in their capacity as owners:							
Transfer	9	-	21,249	(21,249)	-	-	-
2010 final dividends paid		-	-	(722,700)	(722,700)	-	(722,700)
Total transactions with owners		-	21,249	(743,949)	(722,700)	-	(722,700)
Balance at 30 June 2011		21,900	846,361	5,595,375	6,463,636	28,039	6,491,675
Balance at 1 January 2012		21,900	807,568	6,233,980	7,063,448	30,044	7,093,492
Comprehensive income:							
Profit for the period		-	-	849,940	849,940	907	850,847
Other comprehensive income:							
Currency translation differences		-	12,166	-	12,166	78	12,244
Total comprehensive income for the period ended 30 June 2012		-	12,166	849,940	862,106	985	863,091
Transactions with owners in their capacity as owners:							
Transfer	9	-	24,125	(24,125)	-	-	-
2011 final dividends paid	16	-	-	(766,500)	(766,500)	(762)	(767,262)
Total transactions with owners		-	24,125	(790,625)	(766,500)	(762)	(767,262)
Balance at 30 June 2012		21,900	843,859	6,293,295	7,159,054	30,267	7,189,321

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from operating activities	845,426	886,359
Net cash generated from investing activities	148,110	74,000
Net cash used in financing activities	(779,553)	(735,916)
Net increase in cash and cash equivalents	213,983	224,443
Cash and cash equivalents at 1 January	3,295,584	2,679,151
Effect of foreign exchange rate changes	2,697	3,605
Cash and cash equivalents at 30 June	3,512,264	2,907,199

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

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

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

This condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information was approved for issue on 22 August 2012.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

The Group has adopted the following new or revised standards and amendments to standards, which are mandatory for the financial year ending 31 December 2012 and are relevant to its operation.

- | | |
|-----------------------|--------------------------------------|
| * HKAS 1 (amendment) | Presentation of financial statements |
| * HKFRS 7 (amendment) | Financial instruments: disclosures |

* representing amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2011

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

The Group has not early adopted other new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2012. The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to standards and interpretations to the Group’s results and financial position in the period of initial application.

4 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting reviewed by the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. As programmes being produced for the Hong Kong pay TV channels are increasingly shared between terrestrial TV and pay TV channels in Hong Kong, and advertising packages covering terrestrial TV and pay TV channels are increasingly offered to advertisers, the segments of Hong Kong terrestrial TV broadcasting and channel supply to Hong Kong pay TV market have been combined and presented to the chief operating decision maker during the period for the purpose of allocating resources, producing channel contents and assessing performance. Accordingly, the previous "Hong Kong terrestrial TV broadcasting" operating segment has been expanded to include the "Channel supply to Hong Kong pay TV platform", previously analysed under Channel Operations, and has been renamed as "Hong Kong TV broadcasting". Corresponding comparative figures have been adjusted to conform with the re-classification.

The Group has six reportable segments as follows:

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

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

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

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (continued)

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

	Hong Kong broadcasting HK\$'000	Programme licensing and distribution HK\$'000	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Channel operations HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended 30 June 2012								
Turnover								
External customers	1,323,991	395,957	186,571	426,082	46,685	71,871	-	2,451,157
Inter-segment	11,324	67,334	184	1,639	7,686	3,917	(92,084)	-
Total	1,335,315	463,291	186,755	427,721	54,371	75,788	(92,084)	2,451,157
Reportable segment profit	475,589	312,677	39,166	178,963	12,762	12,523	-	1,031,680
Interest income	22,308	3,398	108	810	-	963	-	27,587
Finance costs	-	-	-	(2,019)	-	-	-	(2,019)
Depreciation and amortisation	(86,396)	(1,219)	(2,458)	(21,363)	(43)	(8,766)	-	(120,245)
Additions to non-current assets*	54,058	1,999	4,820	6,170	103	6,374	-	73,524

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

Six months ended 30 June 2011								
Turnover								
External customers	1,287,621	357,971	192,514	416,778	51,525	58,879	-	2,365,288
Inter-segment	5,570	66,605	189	2,416	7,064	3,060	(84,904)	-
Total	1,293,191	424,576	192,703	419,194	58,589	61,939	(84,904)	2,365,288
Reportable segment profit	543,253	284,490	54,491	145,926	20,271	6,381	-	1,054,812
Interest income	10,337	1,046	79	513	-	1,306	-	13,281
Finance costs	-	-	-	(2,004)	-	-	-	(2,004)
Depreciation and amortisation	(86,178)	(1,321)	(2,142)	(21,910)	(54)	(6,076)	-	(117,681)
Additions to non-current assets*	29,967	774	4,656	4,975	3	4,969	-	45,344

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

4 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Reportable segment profit	1,031,680	1,054,812
Share of losses of jointly controlled entities	(821)	(1,164)
Share of losses of associates	(195)	(28,951)
Profit before income tax	1,030,664	1,024,697

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Hong Kong	1,395,228	1,346,675
Taiwan	427,210	418,893
USA and Canada	111,787	115,869
Australia	61,054	63,269
Europe	32,036	33,962
Mainland China	135,001	110,690
Malaysia and Singapore	265,929	258,381
Other countries	22,912	17,549
	2,451,157	2,365,288

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

5 CAPITAL EXPENDITURE

	Goodwill HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
As at 1 January 2011	175,840	2,489,035	–	–
Additions (note(a))	–	53,460	11,639	54,757
Disposals	–	(122)	–	–
Depreciation/amortisation charge (Note 13)	–	(117,137)	(95)	(449)
Exchange differences	827	6,488	276	1,301
As at 30 June 2011	176,667	2,431,724	11,820	55,609
As at 1 January 2012	170,525	2,352,012	11,821	55,614
Additions	–	69,331	–	–
Disposals	–	(845)	–	–
Depreciation/amortisation charge (Note 13)	–	(118,559)	(295)	(1,391)
Exchange differences	1,949	14,181	(65)	(302)
As at 30 June 2012	172,474	2,316,120	11,461	53,921

Notes:

- (a) The additions in 2011 included the purchase price and associated expenditure related to the acquisition of properties in Guangzhou totalling HK\$74,512,000. These costs were recorded as prepayments as at 31 December 2010 and were transferred to property, plant and equipment, investment properties and land use rights in the amounts of HK\$8,116,000, HK\$11,639,000 and HK\$54,757,000 respectively upon completion of the acquisition on 31 March 2011.
- (b) As at 30 June 2012, land and buildings with net book value of HK\$803,122,000 (31 December 2011: HK\$798,433,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

6 INTERESTS IN ASSOCIATES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Investment costs (note)	736,813	542,598
Less: Accumulated share of losses	(730,349)	(730,154)
	6,464	(187,556)
Loans to associates	719,212	719,212
Interest receivables from associates	10,791	8,733
	736,467	540,389
Less: Provision for impairment loss	(11,277)	(11,277)
	725,190	529,112
Unlisted shares, at cost	736,813	542,598

Note:

During the period, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, acquired 304,042,972 non-voting preferred shares (28% of the entire issued share capital) of TVB Pay Vision Holdings Limited ("TVBPVH") at a total cash consideration of HK\$194,215,000. However, the Group's voting interest in TVBPVH remains unchanged at 15%. Without the existence of control, the Group is of the view that equity accounting for TVBPVH as an associate continues to be appropriate.

7 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Non-current portion		
Prepayment related to capital expenditure	20,888	16,695
Current portion		
Receivables from:		
Jointly controlled entities (Note 20(c))	151	2,785
Associates (Note 20(c))	411,579	400,550
Related parties (Note 20(c))	88,506	73,927
Trade receivables (note)	1,105,191	1,159,723
	1,605,427	1,636,985
Less: Provision for impairment loss on receivables from:		
Associates	(400,215)	(400,217)
Third parties	(86,313)	(85,728)
Other receivables, prepayments and deposits	206,255	192,042
Tax reserve certificates (Note 14)	318,591	262,157
	1,643,745	1,605,239
Total	1,664,633	1,621,934

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.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

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

At 30 June 2012 and 31 December 2011, trade receivables including trading balances due from jointly controlled entities, associates and related parties were aged as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Current	500,355	539,452
1-2 months	291,549	262,871
2-3 months	196,168	205,351
3-4 months	119,822	125,998
4-5 months	20,172	52,084
Over 5 months	477,361	451,229
	1,605,427	1,636,985
Trade receivables due from:		
Third parties	1,105,191	1,159,723
Jointly controlled entities, associates and related parties	500,236	477,262
	1,605,427	1,636,985

8 SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each	Nominal value HK\$'000
Authorised: At 1 January and 30 June 2011 and 1 January and 30 June 2012	1,300,000,000	65,000
Issued and fully paid: At 1 January and 30 June 2011 and 1 January and 30 June 2012	438,000,000	21,900

9 OTHER RESERVES

	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2011	602,026	70,000	839	95,266	40,118	9,995	818,244
Currency translation differences:							
– Group	–	–	–	–	–	6,868	6,868
Transfer from retained earnings	–	–	–	21,249	–	–	21,249
Balance at 30 June 2011	602,026	70,000	839	116,515	40,118	16,863	846,361
Currency translation differences:							
– Group	–	–	–	–	–	(40,069)	(40,069)
Transfer from retained earnings	–	–	–	1,276	–	–	1,276
Balance at 31 December 2011	602,026	70,000	839	117,791	40,118	(23,206)	807,568
Balance at 1 January 2012	602,026	70,000	839	117,791	40,118	(23,206)	807,568
Currency translation differences:							
– Group	–	–	–	–	–	12,166	12,166
Transfer from retained earnings	–	–	–	24,125	–	–	24,125
Balance at 30 June 2012	602,026	70,000	839	141,916	40,118	(11,040)	843,859

10 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade payables to:		
Jointly controlled entities (Note 20(c))	–	11
Related parties (Note 20(c))	6,093	3,637
Third parties	82,524	82,756
	88,617	86,404
Other payables and accruals	745,588	810,289
	834,205	896,693

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

10 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

At 30 June 2012 and 31 December 2011, trade payables including trading balances due to jointly controlled entities and related parties were aged as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Current	60,597	56,317
1-2 months	22,030	22,695
2-3 months	2,676	4,028
3-4 months	1,446	1,009
4-5 months	837	498
Over 5 months	1,031	1,857
	88,617	86,404

11 BORROWING

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Bank borrowing:		
Non-current	188,014	197,153
Current	24,625	24,234
Total bank borrowing	212,639	221,387

Movements in bank borrowing are analysed as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Beginning of the period/year	221,387	256,405
Repayments	(12,390)	(24,987)
Exchange differences	3,642	(10,031)
End of the period/year	212,639	221,387

11 BORROWING (continued)

The Group's bank borrowing was repayable as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 1 year	24,625	24,234
Between 1 and 2 years	24,625	24,235
Between 2 and 5 years	73,873	72,703
Wholly repayable within 5 years	123,123	121,172
Over 5 years	89,516	100,215
	212,639	221,387

12 OTHER REVENUES

	Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Interest income	27,587	13,281
Others	6,883	6,378
	34,470	19,659

13 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Depreciation	118,854	117,232
Amortisation of land use rights	1,391	449
Costs of programmes, film rights and stocks	594,038	538,543
Net exchange losses/(gains)	1,252	(9,662)

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

14 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2011: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	119,698	118,645
– Overseas	73,218	80,781
– Under/(Over) provisions in prior periods	3,385	(187)
– Additional provision for prior years (note)	–	118,000
Deferred income tax:		
– Origination and reversal of temporary differences	(16,484)	(11,994)
	179,817	305,245

Note:

In 2004, the Inland Revenue Department of Hong Kong (“IRD”) initiated a tax audit on the Group. Since then the Group has received protective profits tax assessment notices from the IRD for the eight consecutive years of assessment from 1998/99 to 2005/06 relating to the profits generated by the Group’s programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$23,990,000, HK\$23,561,000, HK\$20,205,000, HK\$35,028,000, HK\$49,365,000, HK\$53,809,000, HK\$56,199,000 and HK\$56,434,000 for the eight consecutive years of assessment from 1998/99 to 2005/06 respectively. The total amount of tax reserve certificates purchased by the Group is HK\$318,591,000. Similar additional assessments are expected for subsequent years of assessment.

The Group is in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to the current year. As of 30 June 2012, the Group has provided a total provision of HK\$324 million against the potential tax exposures for the years of assessment from 1998/99 to 2010/11. The tax provision is considered to be adequate and not excessive.

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

15 EARNINGS PER SHARE

The earnings per share is calculated based on the Group’s profit attributable to equity holders of HK\$849,940,000 (2011: HK\$718,604,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2012 and 2011. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

16 DIVIDENDS

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Interim dividend, declared after the end of the reporting period, of HK\$0.60 (2011: HK\$0.45) per ordinary share	262,800	197,100

Final dividend of HK\$1.75 per ordinary share for the year ended 31 December 2011 amounting to HK\$766,500,000 was approved by shareholders on 16 May 2012 and paid on 30 May 2012.

17 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Guarantees for banking facilities granted to an investee company	9,914	9,903

18 CAPITAL COMMITMENTS

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Authorised but not contracted for	353,942	461,737
Contracted but not provided for	92,414	34,225
	446,356	495,962

19 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015. Following the mid-term review of the licence conducted by the Broadcasting Authority ("BA") (Communications Authority has replaced BA since 1 April 2012), the Government announced on 2 July 2010 that the Chief Executive in Council had approved the recommendations made by the BA, including new licence conditions to be imposed for the period of six years from 2010 to 2015. Under the new licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million for the period from 2010 to 2015; (ii) commit to enhanced programme requirements; (iii) increase the amount of high definition television programming; (iv) step up incrementally its subtitling service; and (v) participate in annual public engagement activities in the form of focus group discussion to be conducted by the BA.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Sales of services:			
Jointly controlled entity			
Movie production charges	(i)	1,698	1,277
Associate			
Programmes/channel licensing fee	(iii)	6,912	52,295
Rental income and related charges	(iii)	3,524	3,523
Advertising income	(iii)	5,923	1,071
Others	(iii)	1,910	1,555
Other related parties			
Programmes/channel licensing fee	(iv)	139,026	138,657
Advertising consultancy fee	(iv)	17,996	21,446
		176,989	219,824
Purchases of services:			
Jointly controlled entities			
Programmes licensing fee	(i)	(3,900)	(3,200)
Programmes licensing fee	(ii)	–	(1,600)
Associate			
Playback and uplink service fee	(iii)	(15,287)	(15,051)
Others	(iii)	(606)	(1,752)
Other related parties			
Rental fee and related charges	(v)	–	(2,820)
Project management fee	(vi)	(1,040)	–
		(20,833)	(24,423)

Notes:

- (i) The fees were received from/(paid to) Concept Legend Limited, a jointly controlled entity of the Company.
- (ii) The fees were paid to Wealth Founder Limited, a jointly controlled entity of Concept Legend Limited.
- (iii) The fees and other amounts were received from/(paid to) TVB Pay Vision Limited, an associate of the Company.

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (iv) The fees were received from/(paid to) MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of a non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (v) The fees were paid to Shaw Movie City Hong Kong Limited (formerly known as Hong Kong Movie City Company Limited), an entity controlled by a substantial shareholder of the Company. Such shareholder ceased to be our substantial shareholder on 31 March 2011.
- (vi) The fees were paid to ITC Properties Management Limited, an entity controlled by a substantial shareholder and a close family member of that substantial shareholder of the Company.

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

(b) Key management compensation

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	8,294	10,574

(c) Balances with related parties

	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Receivables from jointly controlled entities	151	2,785
Receivables from associates (note)	411,579	400,550
Receivables from other related parties	88,506	73,927
	500,236	477,262
Payables to jointly controlled entities	–	11
Payables to other related parties	6,093	3,637
	6,093	3,648

Note:

At 30 June 2012, a provision for impairment loss of trade receivables from associates of HK\$400,215,000 (31 December 2011: HK\$400,217,000) had been made.

FINANCIAL INFORMATION

Notes to the Condensed Consolidated Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Fund advanced/loans to related parties

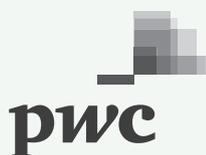
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Fund advanced to jointly controlled entities		
Beginning of the period/year	26,231	16,231
Fund advanced	–	10,000
End of the period/year	26,231	26,231
Loan to associate		
Beginning of the period/year	727,945	724,709
Interest charged	2,058	3,236
End of the period/year	730,003	727,945

The loan to the associate carries interest at the rate of 1-month HIBOR plus 0.25%. At 30 June 2012, a provision for impairment loss of loan to an associate of HK\$11,277,000 (31 December 2011: HK\$11,277,000) had been provided (Note 6).

21 EVENT SUBSEQUENT TO THE PERIOD END

Upon obtaining the final approval and a business licence certificate from the relevant PRC authorities on 8 August 2012, the Group has formed a joint venture company ("JV") together with the Shanghai Media Group ("SMG") and China Media Capital ("CMC") in the shareholding ratio of 55% owned by the Group and in aggregate of 45% owned by SMG and CMC. Total investment of the shareholders in the JV is RMB200 million (approximately HK\$245 million).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 40, which comprises the condensed consolidated statement of financial position of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 August 2012

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



Television Broadcasts Limited
電視廣播有限公司

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

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