# Television Broadcasts Limited
# 電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

**Stock Code: 00511**

## ANNOUNCEMENT OF 2016 INTERIM RESULTS

### HIGHLIGHTS

- Revenue from continuing operations decreased from HK$2,031 million to HK$1,964 million, a decrease of 3%.
- Total costs from continuing operations increased from HK$1,570 million to HK$1,678 million, an increase of 7%.
- Operating profit decreased from HK$464 million to HK$326 million, a decrease of 30%.
- Profit attributable to equity holders from continuing and discontinued operations decreased from HK$1,148 million (which included the gain on disposal of a discontinued operation of HK$1,396 million and an impairment loss on loan to and amounts due from an associate of HK$654 million) to HK$302 million, and earnings per share from continuing and discontinued operations decreased from HK$2.62 to HK$0.69, a decrease of 74%.
- As announced on 29 July 2016, the Group had agreed to dispose of a property in Taiwan for a consideration of NT$4,000 million (equivalent to approximately HK$961 million). Completion is expected to take place before the end of 2016. A gain on disposal of approximately HK$277 million is expected to be incorporated in the full year results for the year ending 31 December 2016.
- For the Period, an interim dividend was declared at HK$0.60 per share (2015: HK$0.60 per share).

### UPDATE ON FULL YEAR 2016 OUTLOOK

By way of guidance, Management would like to update of certain matters as provided in the Announcement of 2015 Annual Results for the year ending 31 December 2016 as follows:

- The Hong Kong advertising market had under-performed during this Period when compared with the same period last year, as the market consolidation continues.
- With the recent conclusion of the Rio 2016 Olympic Games, the broadcast had given rise to an estimated under-recovery of costs in the region of HK$150 million, as previously anticipated.
- The launch of the OTT service in Hong Kong under the brand name of myTV SUPER has progressed very well in accordance to plan. Since launch, the number of myTV SUPER users has exceeded 610,000. We are on target to achieve 1.4 million users by November 2017, the Company's 50th anniversary.
- With the positive launch momentum in Hong Kong, an OTT service under the brand name of TVB Anywhere shall be extended to overseas markets within 2016.

The Board of Directors ("Board") of Television Broadcasts Limited ("Company" or "TVB") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2016 ("Period") as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**
FOR THE SIX MONTHS ENDED 30 JUNE 2016

| | Note | **Unaudited Six months ended 30 June** **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **1,963,809** | 2,030,706 |
| Cost of sales | | **(961,400)** | (904,466) |
| **Gross profit** | | **1,002,409** | 1,126,240 |
| Other revenues | 4 | **39,510** | 38,563 |
| Selling, distribution and transmission costs | | **(265,363)** | (270,325) |
| General and administrative expenses | | **(450,836)** | (395,648) |
| Other gains/(losses), net | | **313** | (35,043) |
| Operating profit | | **326,033** | 463,787 |
| Finance costs | | **(947)** | (3,484) |
| Share of (losses)/profits of: | | | |
| Joint ventures | | **(3,087)** | 6,735 |
| Associates | | **(4,126)** | (32,766) |
| Impairment loss on loan to and amounts due from an associate | | **(14,575)** | (654,106) |
| **Profit/(loss) before income tax** | 5 | **303,298** | (219,834) |
| Income tax expense | 6 | **(54,301)** | (65,005) |
| Profit/(loss) for the period from continuing operations | | **248,997** | (284,839) |

**CONDENSED CONSOLIDATED INCOME STATEMENT** (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2016

| | Note | Unaudited<br>Six months ended 30 June<br>**2016**<br>**HK$'000** | <br><br>2015<br>HK$'000 |
|---|---|---|---|
| **Discontinued operations** | | | |
| Gain on disposal of a joint venture | 13(b) | **78,028** | – |
| Deferred tax on disposal of a joint venture | | **(7,272)** | – |
| Profit for the period from discontinued operations | 13(b) | **–** | 83,152 |
| Tax on dividend distributed prior to completion of disposal | 13(b) | **–** | (52,726) |
| Gain on disposal of discontinued operations | 13(b) | **–** | 1,395,770 |
| | | **70,756** | 1,426,196 |
| **Profit for the period** | | **319,753** | 1,141,357 |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | | |
| – Continuing operations | | **230,970** | (278,158) |
| – Discontinued operations | | **70,756** | 1,426,196 |
| | | **301,726** | 1,148,038 |
| Non-controlling interests | | | |
| – Continuing operations | | **18,027** | (6,681) |
| | | **319,753** | 1,141,357 |
| **Earnings/(loss) per share (basic and diluted) for profit/(loss) attributable to equity holders of the Company during the period** | | | |
| – Continuing operations | 7 | **HK$0.53** | (HK$0.64) |
| – Discontinued operations | 7 | **HK$0.16** | HK$3.26 |
| | | **HK$0.69** | HK$2.62 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2016

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (continued)
AS AT 30 JUNE 2016

| | Note | **30 June 2016 Unaudited HK$'000** | 31 December 2015 Audited HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables and accruals | 12 | **731,632** | 686,197 |
| Current income tax liabilities | | **11,592** | 34,307 |
| Total current liabilities | | **743,224** | 720,504 |
| **Total liabilities** | | **1,032,910** | 1,277,130 |
| **Total equity and liabilities** | | **8,344,514** | 9,113,303 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Independent review

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2016 has been reviewed by the Company's auditor, PricewaterhouseCoopers, 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 ("HKICPA"). An unmodified review report is included in the interim report to be sent to shareholders. The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2016 has also been reviewed by the Audit Committee of the Company.

### 2. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

Except as described below, the accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2015 annual financial statements.

2. **Basis of preparation and accounting policies** (continued)

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

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

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

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

3. **Segment information**

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance.

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

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

## 3. Segment information (continued)

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

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

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

3. **Segment information** (continued)

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

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

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

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

4. **Other revenues**

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

## 5. Profit/(loss) before income tax

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

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

## 6. Income tax expense

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

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

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

## 7. Earnings/(loss) per share

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

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

## 8. Dividends

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

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

## 9. Interests in associates

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

Note:

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

## 10. Trade and other receivables, prepayments and deposits

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

Note:

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

## 10. Trade and other receivables, prepayments and deposits (continued)

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

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

## 11. Other reserves

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

## 12. Trade and other payables and accruals

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

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

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

## 13. Non-current asset held for sale and discontinued operations

### (a) Non-current asset held for sale

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

### (b) Analysis of the results of discontinued operations

In 2015, the Group disposed of the first tranche of 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group"), wholly-owned subsidiaries engaged in the Group's Taiwan operations. Accordingly, the results of the Liann Yee Group together with related gain on disposal was presented as discontinued operations in the condensed consolidated income statement as analysed below:

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

On 10 March 2016, the Group disposed of the second tranche of 47% of Liann Yee Group. A gain on disposal of HK$78,028,000 was recorded based on the consideration received of HK$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

## 14. Event subsequent to the end of the reporting period

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

## CHAIRMAN'S STATEMENT

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

## RESULTS AND INTERIM DIVIDEND

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

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

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

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

## BUSINESS AND OUTLOOK

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

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

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

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

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

**Charles Chan Kwok Keung**
Chairman

Hong Kong, 24 August 2016

## REVIEW OF OPERATIONS

## HONG KONG TV BROADCASTING

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

### TV ADVERTISING

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

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

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

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

### TERRESTRIAL TV CHANNELS

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

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

TVB maintains leadership in the free TV market with an average audience share[1] of TVB's terrestrial TV channels[2] against total TV channels in Hong Kong, which include free and pay TV channels, during weekday prime time[3] of 83% (2015: 82%).

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

## HONG KONG DIGITAL NEW MEDIA BUSINESS

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

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

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

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

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

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

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

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

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

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

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

## OTHER HONG KONG OPERATIONS

## INVESTMENT IN THE MOVIE BUSINESS

### Shaw Brothers Holdings

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

### Flagship Entertainment Group

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

### Shaw Brothers Pictures

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

## INVESTMENT IN HONG KONG PAY TV PLATFORM

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

## MUSIC ENTERTAINMENT

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

## PUBLICATION

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

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

## INTERNATIONAL OPERATIONS

### PROGRAMME LICENSING AND DISTRIBUTION (INCLUDING CHINA OPERATIONS)

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

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

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

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

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

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

## OVERSEAS DISTRIBUTION

### PAY TV OPERATIONS

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

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

## CHANNEL OPERATIONS

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

## FINANCIAL REVIEW

## OPERATING RESULTS FOR THE PERIOD

### Continuing operations

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

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

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

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

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

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

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

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

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

**Discontinued operations**

On 10 March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Group for a cash consideration of NT$4,343 million (approximately HK$1,021 million). A gain on disposal of HK$78 million was taken up in the Period. Upon this disposal, the Group does not have any further interest in the Liann Yee Group. Details of this disposal were set out in Note 13(b) to the condensed consolidated financial information.

**Earnings per share**

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

## UPDATE ON FULL YEAR 2016 OUTLOOK

By way of guidance, Management would like to update of certain matters as provided in the Announcement of 2015 Annual Results for the year ending 31 December 2016 as follows:

- The Hong Kong advertising market had under-performed during this Period when compared with the same period last year, as the market consolidation continues.

- With the recent conclusion of the Rio 2016 Olympic Games, the broadcast had given rise to an estimated under-recovery of costs in the region of HK$150 million, as previously anticipated.

- The launch of the OTT service in Hong Kong under the brand name of myTV SUPER has progressed very well in accordance to plan. Since launch, the number of myTV SUPER users has exceeded 610,000. We are on target to achieve 1.4 million users by November 2017, the Company's $50^{th}$ anniversary.

- With the positive launch momentum in Hong Kong, an OTT service under the brand name of TVB Anywhere shall be extended to overseas markets within 2016.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

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

## FINANCIAL GUARANTEES

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

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

## HUMAN RESOURCES

As of 30 June 2016, the Group employed a total of 4,213 full-time employees (31 December 2015: 4,221), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers.

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

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

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

## 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.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Period.

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

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

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

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

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

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

## 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. The Audit Committee of the Company 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 the interim report for the Period.

## INTERIM DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 21 September 2016 to Thursday, 22 September 2016, both dates inclusive, for the purpose of determining shareholders' entitlement to the interim dividend. During the said book close period, no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 20 September 2016.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Company (www.corporate.tvb.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2016 Interim Report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be despatched to shareholders and made available on the above websites in mid-September 2016.

By Order of the Board
**Adrian MAK Yau Kee**
Company Secretary

Hong Kong, 24 August 2016

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

**Chairman and Non-executive Director**

Dr. Charles CHAN Kwok Keung

**Executive Directors**

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

**Non-executive Directors**

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

**Independent Non-executive Directors**

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