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Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2010 ANNUAL RESULTS

RESULTS HIGHLIGHTS:

- Group's turnover increased by 17%, from HK\$3,983 million to HK\$4,675 million.
- Profit attributable to equity holders increased by 48%, from HK\$900 million to HK\$1,330 million.
- Final dividend was recommended at HK\$1.65 per share (2009: HK\$1.35 per share), making a total dividend of HK\$2.00 per share (2009: HK\$1.60 per share) for the year.

The Directors of Television Broadcasts Limited (the “Company” or “TVB”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Turnover	2	4,674,656	3,983,332
Cost of sales		<u>(1,722,679)</u>	<u>(1,780,942)</u>
Gross profit		2,951,977	2,202,390
Other revenues	2	30,663	39,353
Selling, distribution and transmission costs		(486,344)	(455,506)
General and administrative expenses		(477,366)	(504,590)
Other gains, net		37,565	9,204
Impairment loss on trade receivables from an associate		(140,000)	–
Finance costs	5	(3,781)	(4,498)
Share of losses of:			
Jointly controlled entities		(3,638)	–
Associates		<u>(97,555)</u>	<u>(64,971)</u>
Profit before income tax	4	1,811,521	1,221,382
Income tax expense	6	<u>(479,478)</u>	<u>(320,626)</u>
Profit for the year		<u>1,332,043</u>	<u>900,756</u>
Profit attributable to:			
Equity holders of the Company		1,329,891	900,444
Non-controlling interests		<u>2,152</u>	<u>312</u>
		<u>1,332,043</u>	<u>900,756</u>
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	7	<u>HK\$3.04</u>	<u>HK\$2.06</u>
Dividends	8	<u>876,000</u>	<u>700,800</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	1,332,043	900,756
Other comprehensive income:		
Currency translation differences	82,710	7,427
Other comprehensive income for the year	82,710	7,427
Total comprehensive income for the year	1,414,753	908,183
Total comprehensive income attributable to:		
Equity holders of the Company	1,412,098	907,791
Non-controlling interests	2,655	392
Total comprehensive income for the year	1,414,753	908,183

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		As at 31 December		As at
	<i>Note</i>	2010	2009	1 January
		HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		2,489,035	2,549,087	2,531,794
Goodwill		175,840	163,248	161,145
Interests in jointly controlled entities		12,593	7,500	–
Interests in associates	9	581,390	675,830	375,674
Available-for-sale financial assets		3	3	3
Deferred income tax assets		33,454	17,995	16,925
Prepayment	10	74,512	–	35,182
		<hr/>	<hr/>	<hr/>
Total non-current assets		3,366,827	3,413,663	3,120,723
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets				
Programmes and film rights		315,868	366,133	412,219
Stocks		11,232	13,056	12,952
Trade and other receivables, prepayments and deposits	10	1,441,396	1,152,715	1,095,718
Tax recoverable		249	2,802	1,716
Pledged bank deposits		6,885	7,002	5,158
Bank deposits maturing after three months		211,648	194,179	130,422
Cash and cash equivalents		2,679,151	1,893,586	1,963,094
		<hr/>	<hr/>	<hr/>
Total current assets		4,666,429	3,629,473	3,621,279
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		8,033,256	7,043,136	6,742,002
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EQUITY				
Equity attributable to equity holders of the Company				
Share capital		21,900	21,900	21,900
Other reserves	13	818,244	723,094	696,886
Retained earnings				
– Proposed final dividend	8	722,700	591,300	613,200
– Others		4,898,020	4,457,097	4,276,314
		<hr/>	<hr/>	<hr/>
		6,460,864	5,793,391	5,608,300
Non-controlling interests		27,154	25,234	25,613
		<hr/>	<hr/>	<hr/>
Total equity		6,488,018	5,818,625	5,633,913
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2010

	<i>Note</i>	As at 31 December		As at
		2010	2009	1 January
		HK\$'000	HK\$'000	HK\$'000
			(Restated)	(Restated)
LIABILITIES				
Non-current liabilities				
Borrowing	11	231,107	279,030	296,357
Deferred income tax liabilities		174,112	111,713	124,394
Retirement benefit obligations		5,847	6,706	9,563
Total non-current liabilities		411,066	397,449	430,314
Current liabilities				
Trade and other payables and accruals	12	757,900	640,153	593,810
Current income tax liabilities		350,974	164,131	61,598
Borrowing	11	25,298	22,778	22,367
Total current liabilities		1,134,172	827,062	677,775
Total liabilities		1,545,238	1,224,511	1,108,089
Total equity and liabilities		8,033,256	7,043,136	6,742,002
Net current assets		3,532,257	2,802,411	2,943,504
Total assets less current liabilities		6,899,084	6,216,074	6,064,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

New or revised standards and amendments to standards adopted by the Group

The Group adopted the following new or revised standards and amendments to standards, which are mandatory for the financial year ended 31 December 2010 and are relevant to its operations.

* HKAS 7 (amendment)	Statement of cash flow
* HKAS 17 (amendment)	Leases
* HKAS 18 (amendment)	Revenue
HKAS 27 (revised)	Consolidated and separate financial statements
* HKAS 36 (amendment)	Impairment of assets
* HKAS 38 (amendment)	Intangible assets
HKFRS 3 (revised)	Business combinations
* HKFRS 8 (amendment)	Operating segments
HK-Int 4	Leases – determination of the length of lease term in respect of Hong Kong land leases
HK-Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
* represented the amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2009	

HKAS 17 (amendment), “Leases”, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, any land interest where title was not expected to pass to the Group by the end of the lease term was classified as an operating lease under “Leasehold land”, and any premium paid were amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively with effect from 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified its leasehold land from operating leases (included in leasehold land) to finance leases (included in property, plant and equipment). Comparative information for 31 December 2009 and 1 January 2009 has been restated to reflect this change in accounting policy.

1. Basis of preparation (*continued*)

The effect of the adoption of this amendment is as below:

	As at 31 December		As at
	2010	2009	1 January
	HK\$'000	HK\$'000	2009
			HK\$'000
Decrease in leasehold land	204,838	203,466	208,922
Increase in property, plant and equipment	204,838	203,466	208,922

There is no impact upon the reported income for the current or prior years, although charges within the income statement have been reclassified from amortisation of leasehold land to depreciation of property, plant and equipment.

HKFRS 3 (revised), “Business combinations”, and consequential amendments to HKAS 27, “Consolidated and separate financial statements” are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control, these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured at fair value, and a gain or loss is recognised in the income statement.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in the income statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to the income statement or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets.

The Group has applied the new policy prospectively for transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

1. Basis of preparation *(continued)*

The adoption of the other 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 years.

2. Turnover and other revenues

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

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

Other revenues comprise mainly interest income and others.

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

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Advertising income, net of agency deductions	2,970,742	2,399,781
Licensing income	891,307	796,611
Subscription income	508,228	464,948
Others	367,496	372,160
	4,737,773	4,033,500
Less: Withholding tax	(63,117)	(50,168)
	4,674,656	3,983,332
Other revenues		
Interest income	17,037	11,665
Others	13,626	27,688
	30,663	39,353
	4,705,319	4,022,685

3. Segment information

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

3. Segment information (continued)

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

	Hong Kong terrestrial television broadcasting HK\$'000	Programme licensing and distribution HK\$'000	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Channel operations HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Total HK\$'000
For the year ended								
31 December 2010								
Turnover								
External customers	2,492,403	646,280	371,542	747,534	314,510	102,387	-	4,674,656
Inter-segment	40,433	138,820	360	5,583	15,987	7,254	(208,437)	-
Total	<u>2,532,836</u>	<u>785,100</u>	<u>371,902</u>	<u>753,117</u>	<u>330,497</u>	<u>109,641</u>	<u>(208,437)</u>	<u>4,674,656</u>
Reportable segment profit excluding impairment loss	1,095,201	535,721	104,152	231,006	83,348	3,286	-	2,052,714
Impairment loss on trade receivables from an associate	-	-	-	-	(140,000)	-	-	(140,000)
Reportable segment profit including impairment loss	<u>1,095,201</u>	<u>535,721</u>	<u>104,152</u>	<u>231,006</u>	<u>(56,652)</u>	<u>3,286</u>	<u>-</u>	<u>1,912,714</u>
Interest income	14,120	1,235	145	494	-	1,043	-	17,037
Finance costs	-	-	-	(3,781)	-	-	-	(3,781)
Depreciation	(188,226)	(2,971)	(4,942)	(42,179)	(152)	(9,381)	-	(247,851)
Additions to non-current assets*	<u>59,105</u>	<u>2,573</u>	<u>2,771</u>	<u>15,809</u>	<u>2</u>	<u>88,387</u>	<u>-</u>	<u>168,647</u>
For the year ended								
31 December 2009								
Turnover								
External customers	2,063,358	547,013	347,436	622,998	314,340	88,187	-	3,983,332
Inter-segment	8,344	120,592	365	6,873	14,638	9,222	(160,034)	-
Total	<u>2,071,702</u>	<u>667,605</u>	<u>347,801</u>	<u>629,871</u>	<u>328,978</u>	<u>97,409</u>	<u>(160,034)</u>	<u>3,983,332</u>
Reportable segment profit	<u>564,718</u>	<u>394,444</u>	<u>75,165</u>	<u>153,830</u>	<u>94,494</u>	<u>3,702</u>	<u>-</u>	<u>1,286,353</u>
Interest income	8,465	2,217	215	529	-	239	-	11,665
Finance costs	-	-	-	(4,498)	-	-	-	(4,498)
Depreciation	(231,559)	(4,864)	(5,604)	(36,584)	(174)	(4,390)	-	(283,175)
Additions to non-current assets*	<u>131,292</u>	<u>370</u>	<u>2,282</u>	<u>133,844</u>	<u>2</u>	<u>16,745</u>	<u>-</u>	<u>284,535</u>

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

3. Segment information (continued)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Reportable segment profit including impairment loss	1,912,714	1,286,353
Share of losses of jointly controlled entities	(3,638)	–
Share of losses of associates	(97,555)	(64,971)
	<hr/>	<hr/>
Profit before income tax	<u>1,811,521</u>	<u>1,221,382</u>

No customer accounted for 10% or more of the total revenue for the years ended 31 December 2009 and 2010.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	2,805,695	2,366,476
Taiwan	752,247	627,504
USA and Canada	235,280	217,727
Australia	114,851	98,284
Europe	68,977	82,614
Mainland China	205,370	183,284
Malaysia and Singapore	460,424	378,668
Other countries	31,812	28,775
	<hr/>	<hr/>
	<u>4,674,656</u>	<u>3,983,332</u>

4. Profit before income tax

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Net exchange gain	(37,565)	(9,204)
Loss on disposal of property, plant and equipment	831	312
Auditors' remuneration	3,815	4,439
Non-audit service fees (mainly tax services)	4,518	2,994
Cost of programmes, film rights and stocks	1,161,004	1,204,162
Depreciation	247,851	283,175
Operating leases		
– equipment and transponders	24,029	23,991
– land and buildings	20,824	18,948
Employee benefit expense (excluding directors' emoluments)	<u>1,182,803</u>	<u>1,148,430</u>

5. Finance costs

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans		
– over five years	<u>3,781</u>	<u>4,498</u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

6. Income tax expense (continued)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current income tax:		
– Hong Kong	227,285	145,789
– Overseas	101,302	87,425
– Over provisions in prior years	(1,630)	(953)
– Provision for prior years (<i>note</i>)	104,000	102,000
Deferred income tax:		
– Origination and reversal of temporary differences	47,735	(14,650)
– Effect of decrease in tax rate	786	1,015
	<u>479,478</u>	<u>320,626</u>

Note:

In 2004, the Inland Revenue Department (“IRD”) initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the six consecutive years of assessment from 1998/99 to 2003/04 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, 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 and HK\$53,809,000 (totalling HK\$205,958,000) for the six consecutive years of assessment from 1998/99 to 2003/04 respectively (see Note 10).

Subsequent to the year end, in February 2011, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2004/05 with a total tax demand of HK\$249,743,000. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

The Group is still in discussion with the IRD with a view to resolving the dispute. Based on the information obtained during the year, and notwithstanding the uncertainty inherent in a tax audit, management assessed the possible outcome of the tax audit and considered that it was appropriate to make a further provision of HK\$104,000,000, resulting in a total tax provision of HK\$206,000,000 against those tax exposures. Management will continue to monitor the progress of the tax audit and vigorously defend the Group’s position.

7. Earnings per share

Earnings per share is calculated based on the Group’s profit attributable to equity holders of HK\$1,329,891,000 (2009: HK\$900,444,000) and 438,000,000 shares in issue throughout the years ended 31 December 2010 and 2009. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Dividends

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interim dividend paid of HK\$0.35 (2009: HK\$0.25) per ordinary share	153,300	109,500
Proposed final dividend of HK\$1.65 (2009: HK\$1.35) per ordinary share	<u>722,700</u>	<u>591,300</u>
	<u>876,000</u>	<u>700,800</u>

At a meeting held on 29 March 2011, the Directors recommended a final dividend of HK\$1.65 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

9. Interests in associates

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Investment costs	528,872	528,872
Less: Accumulated share of losses	<u>(672,191)</u>	<u>(574,636)</u>
	(143,319)	(45,764)
Loan to associate (<i>note (a)</i>)	719,212	719,212
Interest receivables from associate	<u>5,497</u>	<u>2,382</u>
	<u>581,390</u>	<u>675,830</u>
Unlisted shares, at cost	<u>528,872</u>	<u>528,872</u>

Notes:

- (a) At 31 December 2010, the carrying amount of the loan to associate approximated its fair value.
- (b) In addition to the loan described in (a), the Group has trade receivables from associates of HK\$355,201,000 (2009: HK\$187,614,000) as disclosed in Note 10.
- (c) The Group periodically reviews loan to (note (a)) and trade receivables (Note 10) from associates to assess whether there is any impairment. In 2010, after reviewing the performance of and repayments from these associates, a provision for impairment loss of HK\$276,609,000 (2009: HK\$136,668,000) has been made against the trade receivables (Note 10).

10. Trade and other receivables, prepayments and deposits

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<u>Non-current portion</u>		
Prepayment related to capital expenditure (<i>note (a)</i>)	<u>74,512</u>	<u>–</u>
<u>Current portion</u>		
Receivables from:		
Jointly controlled entities	3,447	939
Associates	355,201	187,614
Related parties	65,383	69,251
Trade receivables (<i>note (b)</i>)	<u>1,011,040</u>	<u>860,238</u>
	1,435,071	1,118,042
Less: Provision for impairment loss on receivables from:		
Associates	(276,609)	(136,668)
Third parties	(95,998)	(106,625)
Other receivables, prepayments and deposits	172,974	125,817
Tax reserve certificates (<i>Note 6</i>)	<u>205,958</u>	<u>152,149</u>
	<u>1,441,396</u>	<u>1,152,715</u>
Total	<u>1,515,908</u>	<u>1,152,715</u>

Notes:

- (a) The balance represents consideration payment in respect of the acquisition of properties located in Guangzhou. The acquisition is expected to be completed by the end of March 2011.
- (b) 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 31 December 2010 and 2009, trade receivables including trading balances due from jointly controlled entities, associates and related parties were aged as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	498,449	429,077
1-2 months	258,614	202,915
2-3 months	169,313	132,257
3-4 months	102,970	103,082
4-5 months	43,173	39,067
Over 5 months	362,552	211,639
	<u>1,435,071</u>	<u>1,118,037</u>
Trade receivables due from:		
Third parties	1,011,040	860,238
Jointly controlled entities, associates and related parties	424,031	257,799
	<u>1,435,071</u>	<u>1,118,037</u>
Non-trading amounts due from associates	–	5
	<u>1,435,071</u>	<u>1,118,042</u>

11. Borrowing

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Bank borrowing:		
Non-current	231,107	279,030
Current	25,298	22,778
	<u>256,405</u>	<u>301,808</u>

12. Trade and other payables and accruals

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables to:		
Associates	960	2,395
Related parties	7,432	5,314
Third parties	73,379	72,091
	<u>81,771</u>	<u>79,800</u>
Other payables and accruals	676,129	560,353
	<u>757,900</u>	<u>640,153</u>

12. Trade and other payables and accruals (continued)

At 31 December 2010 and 2009, trade payables including trading balances due to associates and related parties were aged as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	47,665	49,672
1-2 months	24,381	19,195
2-3 months	3,582	6,433
3-4 months	1,043	690
4-5 months	985	2,198
Over 5 months	4,115	1,612
	<u>81,771</u>	<u>79,800</u>

13. Other reserves

	Share premium <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Legal reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2009	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Currency translation differences:							
– Group	–	–	–	–	–	7,347	7,347
Transfer from retained earnings	–	–	–	18,861	–	–	18,861
	<u>602,026</u>	<u>70,000</u>	<u>864</u>	<u>82,298</u>	<u>40,118</u>	<u>(72,212)</u>	<u>723,094</u>
Balance at 31 December 2009	<u>602,026</u>	<u>70,000</u>	<u>864</u>	<u>82,298</u>	<u>40,118</u>	<u>(72,212)</u>	<u>723,094</u>
Balance at 1 January 2010	602,026	70,000	864	82,298	40,118	(72,212)	723,094
Currency translation differences:							
– Group	–	–	–	–	–	82,207	82,207
Changes in ownership interests in subsidiaries not resulting in a loss of control	–	–	(25)	–	–	–	(25)
Transfer from retained earnings	–	–	–	12,968	–	–	12,968
	<u>602,026</u>	<u>70,000</u>	<u>839</u>	<u>95,266</u>	<u>40,118</u>	<u>9,995</u>	<u>818,244</u>
Balance at 31 December 2010	<u>602,026</u>	<u>70,000</u>	<u>839</u>	<u>95,266</u>	<u>40,118</u>	<u>9,995</u>	<u>818,244</u>

REVIEW OF OPERATIONS

OVERVIEW

For the year ended 31 December 2010, the Group achieved growth in all major areas of operations with turnover reaching HK\$4,675 million (2009: HK\$3,983 million), an increase of approximately 17%. Cost of sales dropped from HK\$1,781 million to HK\$1,723 million, a decrease of approximately 3%. As a result, gross profit increased from HK\$2,202 million to HK\$2,952 million, an increase of approximately 34%, and gross profit percentage improved from 55% in 2009 to 63% in 2010.

Included in the cost of sales were the cost of programmes, film rights and stocks which amounted to HK\$1,161 million (2009: HK\$1,204 million), a decrease of approximately 4%.

Selling, distribution and transmission costs amounted to HK\$486 million (2009: HK\$456 million), an increase of approximately 7%. General and administrative expenses amounted to HK\$477 million (2009: HK\$505 million), a decrease of approximately 5%.

The Group's share of the losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH") increased from HK\$65 million to HK\$98 million as the percentage of shareholding increased from 29% to 60% upon completion of the acquisition of a 31% equity interests in TVBPVH on 16 November 2009. Further to a review of the trade receivables from this associate, an additional impairment loss of HK\$140 million was recognised in the financial statements for the year, resulting in a total balance of provision for impairment loss on trade receivables from this associate of HK\$275 million (2009: HK\$135 million).

Profit before income tax and impairment loss for the year amounted to HK\$1,951 million (2009: HK\$1,221 million), an increase of approximately 60%.

The Group's taxation charge amounted to HK\$479 million (2009: HK\$321 million), an increase of approximately 50%, which was principally due to an increase in provision for income tax which was attributable to the increase in profit; and an additional provision of HK\$104 million relating to the tax audit 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.

Overall, the Group's profit attributable to equity holders for the year amounted to HK\$1,330 million (2009: HK\$900 million), an increase of approximately 48%. Earnings per share amounted to HK\$3.04 (2009: HK\$2.06).

SEGMENT RESULTS

Benefiting from the marked improvement in the economic environment in Hong Kong, revenue from Hong Kong terrestrial TV broadcasting, which comprised predominantly advertising revenue on the Group's free TV channels (Jade, Pearl, HD Jade, J2 and iNews) grew from HK\$2,072 million to HK\$2,533 million, representing an increase of approximately 22%.

The cost of sales which comprised predominantly the costs of self-produced TV programmes, the amortised costs of acquired film rights, decreased from HK\$968 million to HK\$922 million, reflecting the efforts of our ongoing strict cost control measures. As a result, a segmental profit of HK\$1,095 million (2009: HK\$565 million) was recorded, representing an increase of approximately 94%.

Revenue from programme licensing and distribution which comprised predominantly licensing income from distribution of our programmes through telecast, homevideo, and new media licensing, increased from HK\$668 million to HK\$785 million, representing an increase of approximately 18%. With this significant growth in revenue together with an exchange gain of HK\$28 million (2009: HK\$6 million) arising from the translation of assets denominated in New Taiwan dollars and Malaysian Ringgits, this segment registered a profit increase of HK\$142 million to HK\$536 million (2009: HK\$394 million), representing an increase of approximately 36%.

Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in North America (USA), Australia and Europe, was HK\$372 million (2009: HK\$348 million), representing an increase of approximately 7%. Operating costs for this segment fall by approximately HK\$5 million. As a consequence, this segment recorded a profit of HK\$104 million (2009: HK\$75 million), representing an increase of approximately 39%.

Revenue from Taiwan operations increased from HK\$630 million to HK\$753 million, representing an increase of approximately 20%. With its total operating costs increased by HK\$46 million, which was in line with the strong sales growth, this segment contributed a profit of HK\$231 million (2009: HK\$154 million), representing an increase of approximately 50%.

Revenue from channel operations which comprised the supply of ten pay TV channels to TVB Pay Vision Limited (“TVBPV”); and revenue from TVB8 and Xing He, the Group’s satellite TV channel operations, increased slightly from HK\$329 million to HK\$330 million. However, this segment recorded a fall in profit (before impairment loss) to HK\$83 million (2009: HK\$94 million), representing a decrease of approximately 12% which was mainly attributable to higher operating costs.

Revenue from other businesses which comprised revenue from Internet operations, magazine publishing and production of musical works, increased from HK\$97 million to HK\$110 million, representing an increase of approximately 13%. However, this segment recorded a drop in profit from HK\$4 million to HK\$3 million, representing a decrease of approximately 11%, which was mainly caused by the increase in operating costs resulting from the expansion of the Internet operations during the year.

HONG KONG TERRESTRIAL TV BROADCASTING

ADVERTISING REVENUE

Strong growth in retail sales in 2010 (up 18% from 2009) fuelled a healthy growth in advertising spending across many categories in 2010. However, we were able to achieve advertising revenue growth in excess of retail sales growth due to two factors.

Firstly, fuelled by a combination of strong local demand and fast growing mainland tourist demand, advertisers in the skin care and the milk powder categories increased their advertising spending by more than 40% on average for the year. The second factor was a strong rebound in spending across all banking and finance related categories (banks, credit cards, finance companies, insurance) on the back of highly suppressed levels of spending in the previous year due to the financial downturn of 2008. These four banking and finance related categories all made to the list of top ten growth categories in 2010.

Revenue growth was particularly strong in the first and second quarters of the year. In the first quarter, growth was outstanding in the skin care category and there was significant contribution from the local property and the camera categories as well. In the second quarter, spending from financial services along with milk powder were the major contributors of growth.

Revenue performance was also aided by stepped-up integrated selling of our diverse portfolio of new digital channels and our online offerings, both of which have met with highly positive market response.

DIGITISATION

The year ended with digital terrestrial television (“DTT”) penetration at 61% of all household (including integrated digital TV’s, set top boxes and USB-type receivers).

While this figure is a significant achievement, the growth rate of DTT penetration has slowed down somewhat in the last quarter. The industry is working together on promotional and other efforts to stimulate further growth in DTT adoption.

An additional eight fill-in transmitting stations were completed during the year, bringing DTT coverage to at least 89% of the population of Hong Kong at the end of 2010.

TERRESTRIAL TV CHANNELS PERFORMANCE

Jade, together with its bouquet of digital channels, have undoubtedly shaped the new digital TV world in an eye-opening era of entertainment for the public over the past three years.

2011 should be a bumper year for the TV industry when the Government is likely to grant new digital free TV licences. To take on new challenges, we will reinforce our leading position in terrestrial TV channels, and provide our audience with high quality entertainment and wider choices. J2 aims to increase self-produced output and focus on developing collaborative multi-media projects with external partners. HD Jade will enhance its day time programming with an expanded shoulder-prime line-up. Altogether, we look forward to cultivating an even larger pool of viewers for TVB channels.

Jade Channel

Drama

Jade enjoyed an average of 25 TVRs¹ weekday primetime² and 86% audience share³ for 2010. Overall, 2010 was a booming year for drama production, with four notable series successes.

The Tang Dynasty palace comedy *Can't Buy Me Love* (32 episodes) broadcasted in the summer, was the highest-rated drama series, gaining 34 TVRs average with the finale peaking at 50 TVRs. This was the highest rating record since the launch of people meter ratings measurement, tying the record set by *Jewel in the Palace* in 2005.

The 43rd Anniversary drama series, *No Regrets* (32 episodes), launched in October was a spin-off sequel to 2009's *Rosy Business*. This drama featured most of the latter's main casts but with a new plotline about a Guangzhou mafia family matriarch Cheng Kau-Mui, who ran an opium business in the chaotic 30s, and her counterpart, Lau Sing, a strong-willed but kind-hearted policeman. *No Regrets* became talk-of-the-town with 33 TVRs average. Its success resulted again in the male and the female leads taking the Best Actor and the Best Actress Awards in our *TV Awards Presentation 2010*. The finales of both dramas were celebrated with spectacular fanfare including shopping arcade audience-artistes screenings, and behind-the-scenes specials as event programming.

Back to the contemporary theme, two detective dramas were particularly engaging – *Gun Metal Grey* (30 episodes) and *The Mysteries of Love* (25 episodes). *Gun Metal Grey* was launched in November as the second 43rd Anniversary drama which depicted the brotherhood of two outstanding agents who struggled between justice and friendship, while *The Mysteries of Love* inspired audience's appreciation of a new scientific angle in criminal investigation. Both series were warmly-received, with an average rating of 30 TVRs and 32 TVRs respectively.

Sitcom production broke new ground in diversity of genres throughout the year. *OL Supreme* (80 episodes), *Some Day* (117 episodes) and *Show Me The Happy* (80 episodes) were all contemporary dramas set in different workplaces with refreshing casting.

Non-drama

Non-drama programming forms the core of weekday late night and weekend evening line-up which offered audience a wide choice of entertainment.

¹ TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2010, the TV population was 6,374,000, and therefore, 1 TVR represents 63,740 viewers (1% of the TV population). Ratings data source: CSM Media Research.

² Jade's weekday primetime runs from 7 p.m. to 11 p.m. between Monday and Friday.

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 of Chinese channels are Total Jade (Jade and HD Jade) and Asia Television Limited's Home. The base of English channels are Pearl and Asia Television Limited's World. From 1 June 2009 onwards, measurement of TV ratings¹ (TVRs) included both analogue and digital broadcast.

Our 2010 premium offering to celebrate TVB's 43rd Anniversary was a 10-part major documentary, *Papua Solomon's Treasure*, which was shot on location, and unfolded nature's wonders under a most timely and relevant eco-protection theme.

2010 was an eventful year for non-drama programmes. The "Season of Love" campaign, ran from the traditional Valentine's Day (14 February) to White Day (14 March, the Japanese Valentine's Day), and was followed by the six-month long Expo 2010 Shanghai China ("Expo 2010") which began in June. The "Season of Love" campaign included a six-part mini-series *Don Juan DeMercado* and Expo 2010 was highlighted by the exhibition guide series *Go! EXPO* and *Shanghai Delicacy Exposed*, in addition to the weekly variety show *The All Star Celebrity Expo* which was co-produced with Shanghai Media Group.

Ever the trail-blazer, TVB was the first to bring 3D experience to local television. *Mr. Hong Kong Contest 2010* offered a 3D version broadcast live to a select group of audience in theatre and shopping arcade in Hong Kong, in addition to a 2D version (in high definition) for viewers at home. Further afield, *Miss Chinese International Pageant 2010* went the distance to stage in Tianjin, reinforcing the TVB brand and widening the show's exposure across mainland China.

More on the variety side, *Fun with Liz and Gods*, the ever-popular sketch comedy series, created a hip drag queen cultural phenomenon and brought huge success to the three comperes: Louis Yuen, Johnson Lee and Wong Cho Lam, not only on TV but also in cross media opportunities, such as their first concert in town, and new TV drama and movie production in 2011.

The sequel production of the acclaimed musical talent show, *The Voice (Sr.2)*, witnessed the overnight success of Mag Lam, nicknamed "little big voice" by her web page blogger fans. Cross promoting on J2 and TVBM (a pay TV channel) with a 30-minute stripped series, *The Session* which showcased many of the contestants of *The Voice* further fed the frenzy.

Leading the culinary show trend, Jade further cultivated new charismatic chef hosts to foodies' delight - Steven Ma of *Apprentice Chef*, Wong Wing Chee of *Admiral's Feast*, Michael Lam of *Eat This Way* and the lady chef, Louisa So of *Kitchen Diva Louisa*. Robust ratings attest to Hong Kong's obsession of all things savoury and sweet, and the artistes' personalities behind their cooking skills.

J2 Channel

After two and a half years of nurture, J2 has successfully built a sharp young image and truly complemented both Jade and HD Jade ("HDJ").

J2 boasts a variety of self-produced iconic programmes. Celebrity guests and hosts in the daily talk show *Big Boys Club* reveled in the latest scoop of the day, while apart from *The Session*, *Music Café* gave an excellent platform to the next generation of singers via a weekly stage concert.

To complement Jade's Shanghai EXPO project, a back-packers style series *When in Shanghai* (18 episodes) was tailor-made for cross promotion of the event.

Cross-platform projects were invaluable in boosting channel branding – multi-media joint-venture projects such as the eight-part reality series *The Perfect Match* was a co-production between tvb.com and genre film director Patrick Kong. J2 was once again the official TV partner of the annual local event, the 12th ACGHK 2010 (Animation-Comic-Game Hong Kong), while the channel teamed up with Mnet for the first global live broadcast of their annual event show, *2010 Mnet Asian Music Awards* presentation in Macau.

In addition, the latest drama, anime, and international award-winning shows such as the hot, imported Korean drama *He's Beautiful* (16 episodes); the Emmy and Golden Globe award-winning Hollywood mega hit *Glee* (22 episodes); almost day-and-date (just three weeks behind the domestic schedule), broadcast of the popular anime *Black Butler II*; Taiwanese variety show *One Million Star Season (7th Series)*; and two Asian billboard shows, *Music Station* (Japanese) and *K-POP Countdown* (Korean), captivated the youthful crowd on this channel.

HD Jade Channel

Over the last three years, HDJ established a stable viewership as coverage of terrestrial digital reached over 89%. To meet the increasing demand for HD TV programmes, TVB strengthened its HD production output in drama and non-drama by speeding up the conversion of standard definition studios and facilities to HD standard. As more audience migrate from the analogue Jade to HDJ, our viewership of HDJ's weekday non-primetime and weekend day time continues to grow.

To enhance our service, no efforts were spared to bring viewers added value and choice. Starting from November 2010, viewers could select either Chinese or English subtitles for the 8:30 p.m. and the 9:30 p.m. serial drama strips, commencing with the two blockbuster dramas *No Regrets* and *Gun Metal Grey*.

HDJ is the perfect platform for edgy, topical quality fare: after the News Round-up, “HD Drama Strip” introduced the latest talk-of-the-town mainland China hit *Dwelling Narrowness*, which exposed the reality of substratum residents who risked everything to own their first home. Asian titles such as *Boss* (Japanese) and *East of Eden* (Korean) were highly commended.

HDJ fans also appreciated the many top quality premium documentaries, including the six-part natural history series *Wild Russia*, with rare special access to the largest wilderness in the world where much of the diversity is endangered. On weekends, *Conquering with Taste* (Korean) offered viewers an indulgent culinary escape from life's daily bustle.

Pearl Channel

For the sixth consecutive year, the top 100 English programmes amongst terrestrial TV channels were all on Pearl, which boast a weekly primetime⁴ audience share of 77% in 2010 (2009: 75%).

⁴ Pearl's weekly primetime runs from 7 p.m. to midnight between Monday and Sunday.

Viewers enjoyed the channel's quality programming highlighted by a vast array of Hollywood blockbusters, top U.S. drama/comedy hits and BBC's landmark documentary series. The crowd-pleasing *Breaking the Magician's Code Magic's Biggest Secrets Finally Revealed* which dominated summer ratings on Sunday evenings in the 8:30 p.m. slot for 18 weeks, captured a high of 7.2 TVRs (91% share) and an average of 5.4 TVRs (93% share).

Movies were the audience favourite with *Spider-Man 3* topping the chart at 9.5 TVRs (94% share), *Harry Potter and the Goblet of Fire* with 9.2 TVRs (94% share) and *Harry Potter and the Order of the Phoenix* with 9.1 TVRs (95% share). Award-winning and critically-acclaimed movies (such as *The Lives of Others* and *Pan's Labyrinth*) under the "Friday Hall of Fame" banner offered an eclectic and discerning mix for the 12 week post-Oscar period while the channel celebrated an extended month-long Valentine's with nine "Season of Love" romantic features.

Viewers found the second season of *Fringe*, Pearl's top-rated drama with a parallel universe theme, most captivating (top episode garnered 4.8 TVRs, 77% share). This year, loyal audience bade a fond farewell to the all-time 15-season classic *ER*, eight-seasons of Jack Bauer in *24*, the seven-season FBI series *Without a Trace*, and the four-season comedy *Ugly Betty*, while welcoming the all-new Golden Globe and Emmy Award-winning legal drama *The Good Wife*, breakthrough science-fiction *FlashForward* (some episodes were on Pearl only three weeks post-U.S. broadcast), locally-relevant organ donation drama *Three Rivers*, popular vampire-theme shows like *Vampire Diaries* and the edgier *True Blood*. Situation comedies made a welcome return in the Emmy Award Outstanding Comedy Series winner *Modern Family* on Thursdays.

Documentaries captured the audience's imagination with the ground-breaking BBC's 10-part *Life*, a testament to the diversity and ingenuity of life on Earth with its innovative dubbing from five popular Jade male artistes Bosco Wong, Sammul Chan, Steven Ma, Kenneth Ma and Wayne Lai. Our artistes' dubbing performances were particularly engaging and brought the extraordinary tales of survival much closer to home. The six-part landmark series *South Pacific* which explored the sheer scale and majesty of the largest ocean on Earth, secured 3.2 TVRs and 93% share. A "Well Being" strand on Wednesdays highlighting health topics such as *10 Things You Need to Know About Sleep*, was easily relatable to our audience. Meanwhile, our local lifestyle magazine show, *Dolce Vita*, entered its fourth year.

Pearl programmes have always carried Chinese subtitles for our audience. From November, English subtitling was introduced on the digital service which was followed by the launch on the analogue service at the end of December for selected primetime programming.

iNews Channel

Since its launch on 1 January 2009, iNews has become the most watched 24-hour news channel in Hong Kong. It captures a select group of upmarket audience, i.e. top occupation, tertiary-educated and high personal income, the majority of whom are aged 25 to 49. To maximise exposure, the content of iNews is shared with TVBPV's News channel and live streamed on tvb.com.

According to CSM Media Research, about a quarter of Hong Kong's population aged 4+ has watched at least once within a week⁵ in the fourth quarter 2010.

⁵ Average weekly reach of all-day all-time from 1 October 2010 to 31 December 2010.

The channel's ratings have also been on an uptrend, outperforming other local 24-hour news channels in terms of all-day all-time and during special events, e.g., the 2010 Constitutional Reform Debate in Legco between 23 and 25 June and the Manila hostage crisis on 23 August.

HONG KONG PAY TV BUSINESS

INVESTMENT IN HONG KONG PAY TV PLATFORM

Throughout 2010, the Group's interest in TVBPVH was kept at 60%, while its voting interest continues to remain at 15%. As the Group does not exercise the control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for in the Group.

During the year, TVB's share of net loss of TVBPVH was HK\$98 million (2009: HK\$65 million), representing an increase of 50% due mainly to the increase in its shareholding from 29% to 60%. The business of TVBPVH was adversely affected by the intense competition in the pay TV market in Hong Kong as operators scrambled for new subscribers using premium sports content. TVBPVH, however, continued to utilise station produced content and popular acquired programmes to target a niche group of audience.

As the major investor, the Group has confidence in the business of TVBPVH.

SUPPLY OF CHANNELS TO HONG KONG PAY TV PLATFORM

It had been a very competitive year for pay TV players in 2010. While the World Cup coverage dominated the market, TVB strived to strengthen its market position through various production, promotion and marketing strategies.

A total of nine channels formed the TVB pay TV channel bundle: TVBN and TVBN2 (offering 24 hour news services); TVB Lifestyle; TVB Drama; TVB Classic; TVB Select; TVB Entertainment News; TVB Kids and TVBM. In view of tremendous demand, a new food channel TVB Food was added in September 2010 as a strategic move to cater to substantial audience interest. It is a channel tailor-made for local taste, and has great commercial potential. TVB Food features renowned local chefs' demonstrations, celebrities and food critics' recommendations for the best dining spots in town, and infotainment on food. Locally produced programmes are complemented by quality, acquired food programmes from Singapore and Japan.

TVB Drama continues to captivate audience with the latest and trendiest dramas from Korea, Japan and Taiwan. In 2010, TVB Drama broadcast a total of 1,668 hours of which 624 hours were premiere titles in Hong Kong including *IRIS* (Korean, 7 awards in 2009 KBS Drama Award), *Jin* (Japanese, 7 awards at the 63rd Television Drama Academy Award), and the trendy romantic drama *Down With Love* (Taiwanese).

TVB Select assembles flagship and premiere drama series from all around Asia. Some of the 2010 hits included the Korean blockbuster *The Great Queen Seondeok* (2009 MBC Awards Best Drama, Best Actor, Best Actress), the Japanese series *The Penetrators* (Fuji TV 50th Anniversary Special Drama), and the Putonghua mega title *Three Kingdoms*.

TVB Classic continues to showcase its uniqueness in providing TVB's all-time best drama series. In 2010, "The Stardust Memories" drama packages featured super stars such as Wayne Lai, Amy Chan, Maggie Cheung Ho-yea and Stephen Chow Sing-chi.

TVB Lifestyle's tailor-made programmes cater to every local taste: in *Peter So's Academy*, famous feng shui master Peter So shared his insight. In *Believe It Or Not*, metaphysics expert Master Szeto travelled all around Asia to explore inexplicable mysteries. In *A Decent Conversation*, celebrities like Sammi Cheng and Siao Fong Fong chatted with the two renowned hosts, Frederick Ma and Pastor Lam. Travelogues to Spain, Cambodia, Taiwan and Japan were produced to enrich the programme line-up.

TVB Entertainment News offers extensive local and international showbiz news and live event coverage e.g., the charity show *Artistes 414 Fund Raising Campaign* produced in response to the Qinghai earthquake, and red carpet festivities of major film award ceremonies including *The 82nd Annual Academy Awards* and *The 47th Golden Horse Awards* in 2010.

TVBM is dedicated to serve music fans with non-stop sizzling hits, music videos, interviews and local/international concerts, such as *The Voice Concert 2010*, *The Brit Awards 2010*, *21st Golden Melody Awards* and *2010 Mnet Asian Music Awards*.

TVB Kids provides well-balanced entertainment, as well as educational programmes for children. *Keep Up*, *Level Up* teaches English and mathematics at primary level, *Speedy Putonghua Learning* teaches Putonghua and *Liberal Studies* paves the way for students to prepare for the compulsory liberal studies. In addition, TVB Kids also highlights a large range of premiere animated series, such as *Ninja Boy Rantaro* and *Atashin'chi*.

Subsequent to the year end, a new channel TVB Movie was added to the pay channel bundle to further enrich the programme line-up.

OTHER HONG KONG OPERATIONS

INTERNET OPERATIONS

tvb.com continued its steady growth and kept the number one position among entertainment portals in Hong Kong. Our core service products "myTV" and "Artistes" were strengthened to increase users' loyalty, and to increase revenue generation using integrated marketing solutions.

"myTV" currently attracts around 3 million unique Internet users per month, which approximates 70% of total Hong Kong Internet population. The popular drama *No Regrets* attracted 1.2 million audiences to "myTV". 10 million videos had been served and 30 million pages of information had been viewed which made *No Regrets* the most popular programme on "myTV" in 2010. The first episode of *Fun with Liz and Gods* contributed 1.3 million streamviews alone which also broke "myTV" records. Exclusive behind the scene footages, better streaming quality and community services for users to interact with our artistes differentiate "myTV" from many pirated websites. "myTV" is also working on expanding its service to overseas Chinese. The global live streaming of *World Cup Final* commentary, *Miss Hong Kong Pageant 2010* and *Mr. Hong Kong Contest 2010* were good examples. The World Cup live video commentary was streamed to over 50 countries and attracted 500,000 viewers worldwide. Among our viewers, 76% are aged below 40.

To meet its needs, tvb.com has started to produce its own programmes focusing on the reality show format using such topics of love and dating, travel and leisure, music and creative performance, with interactive elements for viewers' participation. *The Perfect Match*, the first online dating show on tvb.com, created much noise and talking points.

Our second key product, "Artistes", houses over 300 artistes' profiles, photographs, video galleries and daily blog posts. Online fan clubs of Raymond Lam, Tavia Yeung, Steven Ma and Wayne Lai have been growing fast, attracting tens of thousands of their fans from all over the world.

2011 looks set to be a promising year for tvb.com to expand its business overseas. With the mission of providing the best way for viewers to enjoy TVB programmes anytime, anywhere with any devices, an upgraded version of "myTV" called "myTV+" will be launched in 2011 to allow users to watch TVB programmes through their mobile devices. This will expand our business model from advertising only to a combination of advertising and a users paid subscription model.

MOVIE PRODUCTIONS

Following the successes of *Turning Point* and *72 Tenants of Prosperity*, the Group, in joint venture with Shaw Productions Limited, continued to produce a number of motion picture titles including *Perfect Wedding*. In a separate joint venture with the Emperor Group, movie *The Jade and The Pearl* was produced and released during the summer of 2010. A number of major productions are in the pipeline which will be released during 2011.

MAGAZINE PUBLISHING

TVB publishes TVB Weekly which acts as a promotion vehicle for our station and artistes. The sales of TVB Weekly remained stable in 2010, and the readership is among the list of top Hong Kong magazines.

As the economy regained energy, TVB Weekly's advertising revenue rose significantly during the year and was increased by 29% when compared to 2009. It is the result of sales and marketing and integrated selling project teams working together.

INTERNATIONAL OPERATIONS

TVB's international businesses continued to make progress in distributing programmes overseas. Revenue growth was sustained in key markets like Malaysia, Singapore and mainland China. The turnaround in the world's economy also led to substantial increase in advertising revenue from Taiwan, Australia, Europe and the USA.

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution which comprised of licensing revenue from distribution of TVB programmes through telecast, video and new media licensing grew 18% to HK\$785 million. We were successful in renewing agreements with key partners including ASTRO All Asia Networks plc ("ASTRO") in Malaysia and StarHub Cable Vision Ltd ("StarHub") in Singapore for another three years.

The business environment in Malaysia is getting more competitive. The leadership position of TVB as the TV content provider has been challenged by products of other genres like Korean dramas and Hokkien dramas. Our successful cooperation with ASTRO in the provision of video-on-demand services has attracted key players to launch subscription TV services via IPTV platforms. Major efforts are being made to maintain our market share. While we continue to enrich programme content, we also started to offer our drama serials in HD version to subscribers to enhance their viewing pleasure.

In Singapore, the landscape of the pay TV industry changed due to the launch of SingTel's IPTV service. TVB's programme content is playing an increasingly important role in the market due to demand. Apart from the addition of four new channels to the previous eight channels, TVB content is being distributed in new media platforms like mobile and broadband systems according to the new agreement with StarHub. These new offerings were well received by the subscribers.

Mainland China was one of the less impacted markets following the global economic meltdown. Traits of rebound were seen ahead of most parts of the world in 2009. The strong momentum in the fourth quarter of 2009 carried through to 2010. Growth in domestic consumer market backed by government measures resulted in double digit increase in advertising spending. Competition within domestic TV industry continued to heat up, especially among players with national coverage, such as provincial satellite channels as well as CCTV channels. Channel operators increased their investment in programme acquisitions and production with the aim to compete for a bigger share of the advertising dollars. As a result, TVB drama license fees were pushed up particularly with a number of popular drama titles that enjoyed high ratings in Hong Kong at their debut. One of our key strategies was to co-produce quality programmes with prominent mainland Chinese TV stations. In 2010, the 25-episode drama *Growing Through Life* co-produced with Shanghai Media Group was broadcast in Summer 2010 in both Hong Kong and mainland China.

The Group is committed to further strengthening our market presence and penetration in developing countries like Indochina. Progress was seen in Vietnam with significant revenue growth from both programme sales and channel licensing business. Capitalising on our success in Vietnam, we will further develop Cambodia and other Indochina markets.

TAIWAN OPERATIONS

TVBS – Taiwan

After weathering a tough 2009, TVBS in 2010 reached new highs in earnings and with revenues reaching HK\$753 million and segment profit hitting HK\$231 million, it broke its 2008 record. This was due to Taiwan's strong rebound from the recession in the previous year and our flagship all news channel, TVBS-N, continued to be a robust performer thereby drawing in a significant share of political advertising from the island-wide municipal elections at the end of the year. We also saw some progress in the revamping of TVBS-G, the entertainment channel, scoring some encouraging results. We had further fine-tuned our popular night time talk shows on TVBS so as to appeal to a broader audience.

With exports booming and consumer confidence surging in Taiwan, we are hopeful that 2011 will be another good year. Besides benefiting from a growing economy, the two major elections in 2011 and early 2012 are expected to give earnings an extra boost.

The fragmented media industry in Taiwan is, however, going through a process of consolidation. Particular attention is drawn to the recent acquisitions of two multiple system operators, China Network Systems Co. Ltd and kbro Co. Ltd, by deep pocket media groups, resulting in some of our competitors becoming even bigger and stronger. It may pose challenges to our negotiations with business partners when our distribution deals are up for renewal in the coming years.

Meanwhile, it is a race to establish a beachhead in the new media platforms, i.e. mobile subscription applications and video-on-demand services through digital cable or the Internet, that TVBS is aggressively pursuing but this will require patience before seeing significant monetised results.

OVERSEAS SATELLITE PAY TV OPERATIONS

Our overseas pay TV businesses in the USA, Australia and Europe all recorded satisfactory growth in terms of subscriber numbers and operating profits. Other than traditional satellite TV service, we launched IPTV service to capture new subscribers and to pave way for the addition of new channels in the future. We also adopted a new programme scheduling strategy which comprises the popular Hong Kong Jade's primetime programmes.

North America (USA)

Despite price increase in subscription fee for our TVB Jade Cantonese package in March, subscriber numbers remained steady. The TVB channels in Mandarin and Vietnamese also sustained their strong subscriber growth momentum.

Australia

TVB Australia celebrated its 10th anniversary in 2010 and has become the leading Chinese TV medium. In terms of financial performance, we achieved double digit growth in advertising revenue. To meet the needs of an underserved Vietnamese speaking community, we are planning to fully capitalise on the existing Vietnamese programmes in other platforms, to launch a TVB channel in Vietnamese, in Australia.

Europe

The deteriorating economic situation in Europe had a negative impact to the conversion of subscribers from the single-channel to the multi-channel package. A brand new children's channel TVB Junior was launched in June 2010 to boost package conversion. The response from the audience has been overwhelming.

CHANNEL OPERATIONS

TVB8 and Xing He channels

Rapid economic recovery of major markets where TVB8 and Xing He are broadcast led to rebound in financial performance. Advertising spending was strong in these markets.

In mainland China, TVB8 is considered one of the prominent players in mass media to promote major national events. TVB8 produced a series of programmes to promote Expo 2010 in mainland China and overseas countries in the second and third quarter of 2010. This helped to reinforce our brand positioning in the Mandarin speaking markets.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's statement of financial position remained strong. Total equity stood at HK\$6,488 million (2009: HK\$5,819 million), representing an increase of approximately 12%. At 31 December 2010, the capital structure of the Company consisted of 438,000,000 ordinary shares of HK\$0.05 each.

At 31 December 2010, the Group had bank and cash balances of HK\$2,891 million (2009: HK\$2,088 million), representing an increase of approximately 38% over the last year end. Out of the total bank and cash balances, 53% were in Hong Kong dollars, 37% in US dollars and 10% in other currencies. About 12% of the bank and cash balances (approximately HK\$357 million) were maintained in overseas subsidiaries for their daily operation.

At 31 December 2010, the Group's net current assets amounted to HK\$3,532 million (2009: HK\$2,802 million), representing an increase of approximately 26% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities decreased to 4.11 at 31 December 2010 (2009: 4.39).

During the year, the Group's total borrowing decreased by 15% to HK\$256 million (2009: HK\$302 million), which relates to the financing for the headquarters in Taiwan and is a secured bank loan, denominated in New Taiwan dollars and floating interest bearing. At 31 December 2010, the maturity profile of the Group's borrowing was as follows: within one year, HK\$25 million (10%); in the second year, HK\$25 million (10%); in the third to fifth years, HK\$76 million (29%); over five years, HK\$130 million (51%). At 31 December 2010, the gearing ratio, expressed as a ratio of gross debts to total equity, was 4% (2009: 5%).

At 31 December 2010, certain assets of a subsidiary of the Group with net asset value of HK\$847 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits and saving accounts of HK\$7 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

The capital commitments of the Group at 31 December 2010 were HK\$406 million (2009: HK\$390 million).

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 six consecutive years of assessment from 1998/99 to 2003/04 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, 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 and HK\$54 million for the six consecutive years of assessment from 1998/99 to 2003/04 respectively.

Subsequent to the year end, in February 2011, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2004/05 with a total tax demand of HK\$250 million. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

The Group is still in discussion with the IRD with a view to resolving the dispute. Based on the information obtained during the year, and notwithstanding the uncertainty inherent in a tax audit, management assessed the possible outcome of the tax audit and considered that it was appropriate to make a further provision of HK\$104 million, resulting in a total tax provision of HK\$206 million against those tax exposures. Management 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, where the outcome of the tax dispute could be different from the amounts provided, such differences would impact the income tax provisions in the year in which such determination is made.

CONTINGENT LIABILITIES

At 31 December 2010, there were guarantees given to banks amounting to HK\$10 million (2009: HK\$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures mainly arises 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 movements, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures where necessary. No forward exchange or hedging contract was entered into by the Group during the year.

HUMAN RESOURCES

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,125 (2009: 4,252) full-time employees at 31 December 2010.

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 or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries basis. About 27% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. All qualified personnel received discretionary bonuses between 0.75 and 1.25 of their monthly basic salaries for the year 2010.

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.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK\$1.65 per share for the 438,000,000 ordinary shares in issue of HK\$0.05 each in respect of the year ended 31 December 2010. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 May 2011 ("2011 AGM"), the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 25 May 2011. The dividend warrants will be despatched to shareholders on or around 1 June 2011.

Together with an interim dividend of HK\$0.35 per share paid on 22 September 2010, the total dividend for the year will amount to HK\$2.00 per share (2009: HK\$1.60 per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4 May 2011 to Wednesday, 25 May 2011, both dates inclusive, for the purposes of determining shareholders' entitlement to the proposed final dividend and attendance at the 2011 AGM. During the said period, no transfer of shares will be registered. In order to qualify for entitlements to the proposed final dividend and attendance at the 2011 AGM, 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 Tuesday, 3 May 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The Company first adopted its own code on corporate governance in 2005 and it was subsequently superseded by a revised TVB CG Code adopted on 11 November 2009 (“TVB CG Code”).

TVB CG Code is in compliance with all the code provisions of the Code on Corporate Governance Practices (“CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), save that the Chairman is not subject to retirement (as required under code provision A.4.2). Pursuant to Article 114(C) of the Company’s articles of association, the Chairman is exempted from retirement. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company’s business.

Throughout 2010, the Company fully complied with all code provisions set out in the CG Code, except that the Chairman is exempted from retirement for the reason as above mentioned.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

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

All Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2010.

AUDIT COMMITTEE

The Audit Committee comprises three members, Mr. Gordon Siu Kwing Chue (Chairman), Mr. Chien Lee and Mr. Kevin Lo Chung Ping, the majority of whom are Independent Non-executive Directors of the Company. The Audit Committee members are experienced in reviewing and analysing financial information.

The Audit Committee has reviewed with Management and the Group’s auditors, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual consolidated financial statements for the year ended 31 December 2010 before such statements were presented to the Board of Directors for approval.

To assist the Board in its monitoring control function, the Group set up an internal audit department (“Internal Audit”) in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group’s business operations. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters.

Internal Audit performs its independent reviews of different financial, business and functional operations and activities using a pro-active risk-based approach to focus on areas of major risks as identified by a comprehensive risk analysis.

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

On 11 March 2010, the Company made an announcement to clarify an incident concerning an investigation conducted by the Independent Commission Against Corruption ("ICAC") in respect of certain alleged corrupt practice. The Company announced that it had suspended the duties and work of three employees of the Company involved in the investigation pending further development of the subject matter. The duties and work of one employee concerned were resumed in November 2010 while the other employees concerned had left the Company by resignation or retirement. The Company has clarified that the investigation conducted by ICAC had not affected and would not affect the normal operation of the Company, nor its services to its audience and customers and the Company would fully co-operate with ICAC in the investigation. As far as the Company is aware, the alleged corrupt practice will be tried in the District Court in June 2011.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

CHANGE IN SHAREHOLDING

As announced on 26 January 2011 ("Announcement Date"), the Company has been informed that an agreement was signed on the same day by the shareholders of Shaw Brothers (Hong Kong) Limited ("Shaw Brothers", a substantial shareholder of the Company), to sell their entire shareholding in Shaw Brothers ("Share Sale") to an investor group ("Investor Group") controlled by Dr. Charles Chan Kwok Keung, with Madam Cher Wang and Providence Equity Partners being the other two members of the Investor Group. Completion of the Share Sale ("Completion") is expected to take place on or before 31 March 2011. As at the Announcement Date, Shaw Brothers was interested in 113,888,628 shares in the Company, representing approximately 26% in the issued share capital of the Company. It has also been informed that The Shaw Foundation Hong Kong Limited, which was interested in 27,286,200 shares in the Company at the Announcement Date, representing approximately 6.23% in the issued share capital of the Company, will dispose of a portion of its shareholding in the Company to independent third parties on or before the Completion.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the Company's website at www.tvb.com and the designated issuer website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The Company's 2010 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in April 2011.

ANNUAL GENERAL MEETING

The 2011 AGM of the Company will be held at The Harbour Room, Mezzanine Floor, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong, on Wednesday, 25 May 2011 at 11:00 a.m.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 29 March 2011

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

Sir Run Run SHAW, *G.B.M.* (Chairman) #
Dr. Norman LEUNG Nai Pang, *G.B.S., LL.D., J.P.* (Executive Deputy Chairman) *
Mona FONG (Deputy Chairperson and Managing Director, and Alternate Director
to Sir Run Run SHAW) *
Christina LEE LOOK Ngan Kwan #
Dr. CHOW Yei Ching, *G.B.S.* #
Kevin LO Chung Ping #
Edward CHENG Wai Sun, *S.B.S., J.P.* ^
Chien LEE ^
Gordon SIU Kwing Chue, *G.B.S., J.P.* ^
Vivien CHEN Wai Wai ^
Mark LEE Po On *
Anthony LEE Hsien Pin (Alternate Director to Christina LEE LOOK Ngan Kwan)

* Executive Director

Non-executive Director

^ Independent Non-executive Director