Television Broadcasts Limited
電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2017 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations increased from HK$1,964 million to HK$2,021 million, an increase of 3%.
- Total costs from continuing operations which included the incremental costs for development of the new platforms, myTV SUPER and Big Big Channel, increased from HK$1,678 million to HK$1,810 million, an increase of 8%.
- Operating profit decreased from HK$326 million to HK$296 million, a decrease of 9%.
- Profit attributable to equity holders from continuing and discontinued operations decreased from HK$302 million to HK$170 million, due to the opportunity loss for better interest yield as a result of setting aside cash for the share buy-back offer of HK$4,209 million, and the non-recurring disposal net gain of a joint venture of HK$71 million booked last period. Earnings per share from continuing and discontinued operations decreased from HK$0.69 to HK$0.39, a decrease of 44%.
- Reference is made to the Board's resolution to defer dividend proposal in the announcement dated 29 March 2017 for the 2016 Annual Results. An interim dividend to Shareholders of HK$0.60 per share was declared by the Board on 24 May 2017 and paid to Shareholders on 22 June 2017. A second interim dividend of HK$0.30 per share for the year ending 31 December 2017 was declared by the Board on 23 August 2017.

BUSINESS HIGHLIGHTS

- Advertising revenue under Hong Kong TV broadcasting stablised during the Period at the level reported in the same period of last year.
- myTV SUPER OTT service in Hong Kong has progressed well during the Period. To date, the number of myTV SUPER users has exceeded 4.4 million. At this level, the rate of expenditure recovery is accelerating, and it is anticipated to attain full recovery of recurring expenditure by the end of this year.
- Social media platform Big Big Channel was launched on 23 July 2017 and the number of registered users to date is in excess of 1.28 million. This represents a good head start for the development of this platform and a fast expenditure recovery is expected in the development period.

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 2017 ("Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	3	**2,021,169**	1,963,809
Cost of sales		**(1,093,862)**	(961,400)
Gross profit		**927,307**	1,002,409
Other revenues	4	**58,932**	39,510
Selling, distribution and transmission costs		**(284,195)**	(265,363)
General and administrative expenses		**(431,483)**	(450,836)
Other gains, net		**6,908**	313
Operating profit before non-recurring income		**277,469**	326,033
Gain on disposal of investment properties	14(a)	**18,483**	–
Operating profit		**295,952**	326,033
Finance costs		**(78,918)**	(947)
Share of profits/(losses) of:			
Joint ventures		**1,011**	(3,087)
Associates		**(1,589)**	(4,126)
Impairment loss on loan to and amounts due from an associate		**–**	(14,575)
Profit before income tax	5	**216,456**	303,298
Income tax expense	6	**(43,066)**	(54,301)
Profit for the period from continuing operations		**173,390**	248,997

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Discontinued operations			
Gain on disposal of a joint venture	14(b)	**–**	78,028
Deferred tax on disposal of a joint venture		**–**	(7,272)
		–	70,756
Profit for the period		**173,390**	319,753
Profit attributable to:			
Equity holders of the Company			
– Continuing operations		**170,180**	230,970
– Discontinued operations		**–**	70,756
		170,180	301,726
Non-controlling interests			
– Continuing operations		**3,210**	18,027
		173,390	319,753
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period			
– Continuing operations	7	**HK$0.39**	HK$0.53
– Discontinued operations	7	**–**	HK$0.16
		HK$0.39	HK$0.69

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**173,390**	319,753
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	**68,917**	30,367
Reclassification adjustment to profit or loss on disposal of a joint venture	**–**	1,311
Other comprehensive income for the period, net of tax	**68,917**	31,678
Total comprehensive income for the period	**242,307**	351,431
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
– Continuing operations	**234,054**	264,615
– Discontinued operations	**–**	70,756
	234,054	335,371
Non-controlling interests		
– Continuing operations	**8,253**	16,060
Total comprehensive income for the period	**242,307**	351,431

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	**30 June 2017 Unaudited HK$'000**	31 December 2016 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,874,837**	1,797,307
Investment properties		**30,764**	100,972
Land use rights		**54,317**	54,550
Intangible assets		**72,971**	59,303
Interests in joint ventures		**21,204**	20,193
Interests in associates		**158,378**	159,923
Available-for-sale financial assets		**47,436**	47,436
Held-to-maturity financial assets		**706,652**	523,509
Deferred income tax assets		**36,725**	36,633
Prepayments	9	**87,943**	86,354
Total non-current assets		**3,091,227**	2,886,180
Current assets			
Programmes, film rights and movies		**842,330**	744,585
Stocks		**28,411**	19,826
Trade and other receivables, prepayments and deposits	9	**1,759,050**	1,671,320
Tax recoverable		**54,383**	55,451
Held-to-maturity financial assets		**63,046**	775,400
Restricted cash	10	**4,286,356**	6,113
Bank deposits maturing after three months		**105,856**	676,993
Cash and cash equivalents		**1,763,551**	5,520,962
Non-current asset held for sale	14(a)	**41,744**	–
Total current assets		**8,944,727**	9,470,650
Total assets		**12,035,954**	12,356,830

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2017

	Note	**30 June 2017 Unaudited HK$'000**	31 December 2016 Audited HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves	11	**127,684**	3,053
Retained earnings		**6,240,471**	6,397,589
		7,032,199	7,064,686
Non-controlling interests		**138,493**	165,405
Total equity		**7,170,692**	7,230,091
LIABILITIES			
Non-current liabilities			
Borrowings	12	**3,805,632**	3,842,493
Deferred income tax liabilities		**148,721**	346,819
Total non-current liabilities		**3,954,353**	4,189,312
Current liabilities			
Trade and other payables and accruals	13	**904,202**	920,679
Current income tax liabilities		**6,707**	16,748
Total current liabilities		**910,909**	937,427
Total liabilities		**4,865,262**	5,126,739
Total equity and liabilities		**12,035,954**	12,356,830

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 2017 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 2017 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 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated financial information for the six months ended 30 June 2017 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 2016 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 2016 annual financial statements.

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

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

Programme cost

The cost of programmes under co-production agreement is apportioned according to expected income generated from domestic terrestrial TV market, the overseas licensing and distribution market, the over-the-top ("OTT") market and the sale of exclusive programme exploitation right in defined geographical areas to co-producers. For the sale of programme exploitation right to co-producers, the cost is expensed upon delivery of the programmes to co-producers in accordance with the terms of the contract. The timing for recognising costs for domestic terrestrial TV market, overseas licensing and distribution market and OTT market remained unchanged.

Revenue recognition

Co-production income is recognised upon delivery of the programmes to co-producers for its exclusive programme exploitation right in defined geographical areas.

New and amended standards

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 'Financial instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. The adoption of HKFRS 9 will generally be applied retrospectively, except for where the standard provides transition exemptions. The Group is considering to apply the transition exemptions.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income ("FVOCI") election is available for the equity instruments which are currently classified as available-for-sale.

- Debt instruments currently classified as loans and receivables and held-to-maturity financial assets, which are measured at amortised cost, appear to meet the conditions for classification at amortised cost under HKFRS 9.

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

New and amended standards (continued)

(b) Impact of standards issued but not yet applied by the Group (continued)

(i) HKFRS 9 'Financial instruments' (continued)

It is expected that there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables and loan commitments. If the Group were to adopt the new rules from 1 January 2017, the Group assessed that there would not be a significant effect on the condensed consolidated financial information of the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to use the modified retrospective approach for transition to the new revenue standard. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

2. Basis of preparation and accounting policies (continued)

New and amended standards (continued)

(b) Impact of standards issued but not yet applied by the Group (continued)

(ii) HKFRS 15 'Revenue from contracts with customers' (continued)

Management has identified the following areas that are likely to be affected to the Group:

- revenue recognition of master contracts in the overseas licensing and distribution market – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; and

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

Had the standard been adopted from 1 January 2017, the Group estimated that there would not be a significant effect on the condensed consolidated financial information of the Group.

(iii) HKFRS 16 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

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

New and amended standards (continued)

(b) Impact of standards issued but not yet applied by the Group (continued)

(iii) HKFRS 16 'Leases' (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$131,477,000. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the condensed consolidated financial information as lease liabilities, with corresponding right-to-use assets. However, the Group assessed that there would not be significant effect on the Group's profit and classification of cash flows.

HKFRS 16 permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to elect the modified retrospective approach. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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, co-production income, 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	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations									
Six months ended 30 June 2017									
Revenue									
External customers	**1,312,093**	**118,975**	**420,497**	**74,875**	**40,226**	**54,503**	**–**	**–**	**2,021,169**
Inter-segment	**28,105**	**2,963**	**58,711**	**–**	**2,860**	**16,717**	**–**	**(109,356)**	**–**
Total	**1,340,198**	**121,938**	**479,208**	**74,875**	**43,086**	**71,220**	**–**	**(109,356)**	**2,021,169**
Reportable segment profit before non-recurring income	**81,681**	**(59,557)**	**247,099**	**(28,392)**	**7,725**	**28,913**	**(78,918)**	**–**	**198,551**
Gain on disposal of investment properties	**–**	**–**	**–**	**–**	**–**	**18,483**	**–**	**–**	**18,483**
Reportable segment profit after non-recurring income	**81,681**	**(59,557)**	**247,099**	**(28,392)**	**7,725**	**47,396**	**(78,918)**	**–**	**217,034**
Interest income	**37,503**	**62**	**2,210**	**137**	**–**	**3,162**	**–**	**–**	**43,074**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(78,918)**	**–**	**(78,918)**
Depreciation and amortisation	**(140,499)**	**(32,441)**	**(4,827)**	**(2,493)**	**(429)**	**(3,970)**	**–**	**–**	**(184,659)**
Additions to non-current assets#	**150,961**	**88,420**	**5,071**	**7,711**	**74**	**9,598**	**–**	**–**	**261,835**
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	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

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

3. Segment information (continued)

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

	Six months ended 30 June 2017 HK$'000	2016 HK$'000
Reportable segment profit	**217,034**	310,511
Share of profits/(losses) of joint ventures	**1,011**	(3,087)
Share of losses of associates	**(1,589)**	(4,126)
Profit before income tax and discontinued operations	**216,456**	303,298

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

	Six months ended 30 June 2017 HK$'000	2016 HK$'000
Hong Kong	**1,486,346**	1,350,525
Malaysia and Singapore	**260,662**	265,583
Mainland China	**147,275**	195,955
USA and Canada	**62,378**	66,100
Australia	**22,286**	26,226
Vietnam	**23,726**	23,876
Europe	**4,362**	5,635
Other countries	**14,134**	29,909
	2,021,169	1,963,809

4. Other revenues

	Six months ended 30 June 2017 HK$'000	2016 HK$'000
Interest income	**43,074**	17,963
Others	**15,858**	21,547
	58,932	39,510

5. Profit before income tax

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Depreciation	**180,773**	153,509
Amortisation of land use rights	**1,490**	1,545
Amortisation of intangible assets	**2,396**	–
Cost of programmes and film rights	**842,432**	713,450
Cost of other stocks	**13,037**	11,704
Net exchange gains	**(6,908)**	(313)

6. Income tax expense

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2016: 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	
	2017	2016
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**25,638**	39,060
– Overseas	**216,406**	33,233
– (Over)/under provisions in prior periods	**(1,311)**	218
	240,733	72,511
Deferred income tax:		
– Origination and reversal of temporary differences	**(197,667)**	(18,210)
	43,066	54,301

7. Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of the Company and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2017 and 2016. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit attributable to equity holders of the Company		
– Continuing operations	**170,180**	230,970
– Discontinued operations	**–**	70,756
	170,180	301,726

8. Dividends

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
First interim dividend paid of HK$0.60 (2016: nil) per ordinary share	**262,800**	–
Second interim dividend, declared after the end of the reporting period, of HK$0.30 (2016: interim dividend of HK$0.60) per ordinary share	**131,400**	262,800
	394,200	262,800

First interim dividend of HK$0.60 per ordinary share for the year ending 31 December 2017 amounting to HK$262,800,000 was declared on 24 May 2017 and paid on 22 June 2017.

9. Trade and other receivables, prepayments and deposits

	30 June 2017 HK$'000	31 December 2016 HK$'000
Non-current		
Prepayments related to capital expenditure	**87,943**	86,354
Current		
Trade receivables from:		
Associates	**2,008**	30,743
Related parties	**–**	40,679
Third parties (note)	**1,415,789**	1,278,735
	1,417,797	1,350,157
Less: provision for impairment loss on receivables from:		
Associates	**(1,453)**	(1,443)
Third parties	**(157,332)**	(180,911)
Other receivables, prepayments and deposits	**500,038**	503,517
	1,759,050	1,671,320
	1,846,993	1,757,674

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.

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

At 30 June 2017 and 31 December 2016, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

9. Trade and other receivables, prepayments and deposits (continued)

	30 June 2017 HK$'000	31 December 2016 HK$'000
Current	**439,893**	446,273
1-2 months	**273,184**	219,035
2-3 months	**184,945**	194,608
3-4 months	**142,260**	122,788
4-5 months	**46,170**	100,275
Over 5 months	**331,345**	267,178
	1,417,797	1,350,157

10. Restricted cash

At 30 June 2017, restricted cash included cash set aside for the share buy-back offer, as detailed in the Company's announcement dated 24 January 2017.

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 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
Balance at 1 January 2017	70,000	–	39,513	(106,460)	3,053
Currency translation differences:					
– Group	–	–	–	64,369	64,369
– Joint ventures	–	–	–	(539)	(539)
– Associates	–	–	–	44	44
Transferred from retained earnings	–	–	64,498	–	64,498
Change in ownership interests in subsidiaries without change of control	–	(3,741)	–	–	(3,741)
Balance at 30 June 2017	**70,000**	**(3,741)**	**104,011**	**(42,586)**	**127,684**

12 Borrowings

	30 June 2017 HK$'000	31 December 2016 HK$'000
Non-current		
Notes, unsecured (note)	**3,805,632**	3,842,493

At 30 June 2017 and 31 December 2016, borrowings were repayable as follows:

	30 June 2017 HK$'000	31 December 2016 HK$'000
Between 2 and 5 years	**3,805,632**	3,842,493

Note:

On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("Notes"). During the period, the Group repurchased US$8,500,000 nominal amount of the Notes at a price of US$8,469,000.

13. Trade and other payables and accruals

	30 June 2017 HK$'000	31 December 2016 HK$'000
Trade payables to:		
Joint ventures	**1,200**	–
Associates	**2,100**	–
Related parties	**–**	4,404
Third parties	**102,764**	119,193
	106,064	123,597
Receipts in advance, deferred income and customers' deposits	**416,071**	221,657
Provision for employee benefits and other expenses	**116,978**	207,741
Accruals and other payables	**265,089**	367,684
	904,202	920,679

13. Trade and other payables and accruals (continued)

At 30 June 2017 and 31 December 2016, 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 2017 HK$'000	31 December 2016 HK$'000
Current	**73,995**	61,422
1-2 months	**19,531**	36,778
2-3 months	**2,152**	19,376
3-4 months	**1,699**	4,109
4-5 months	**584**	333
Over 5 months	**8,103**	1,579
	106,064	123,597

14. Non-current asset held for sale and discontinued operations

(a) Non-current asset held for sale

In 2017, the Group has an intention to sell certain investment properties located in Taiwan, as such, the carrying value of such properties amounting to HK$58,716,000 was reclassified as "Non-current asset held for sale". Part of these investment properties sold with a disposal gain of HK$18,483,000 was recognised in April 2017. The remaining held for sale properties with carrying value of HK$41,744,000 were still unsold at the end of the reporting period.

(b) Discontinued operations

On 10 March 2016, upon the completion of disposal of the remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), a disposal gain of HK$78,028,000 was recorded based on the consideration received of HK$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

15. Event subsequent to the end of the reporting period

Subsequent to the end of the reporting period, on 26 July 2017, TVB Venture Investment, LLC ("TVB Venture"), an indirect wholly-owned subsidiary of the Company and Imagine Holding Company LLC ("Imagine") entered into the agreement in relation to the formation of a joint venture company, Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between TVB Venture and Imagine. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. TVB Venture has contributed to the capital of ITT in an amount of US$33,333,333 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US$66,666,667 in the form of the Promissory Note. Details of the formation of ITT are set out in the Company's announcement dated 26 July 2017.

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited is pleased to present the condensed consolidated interim financial information of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries ("Group") for the six months ended 30 June 2017 ("Period").

RESULTS AND INTERIM DIVIDEND

During the Period, the Group's revenue increased by 3% from HK$1,964 million to HK$2,021 million. The total costs rose by 8% from HK$1,678 million to HK$1,810 million. Profit from continuing operations for the Period was HK$173 million, compared to HK$249 million in the previous period. The Group's profit attributable to equity holders for this Period was HK$170 million, compared to HK$302 million from the previous period. Earnings per share for the Period was HK$0.39 (2016: HK$0.69).

Reference is made to the Board's resolution to defer dividend proposal in the announcement dated 29 March 2017 for the 2016 Annual Results. On 24 May 2017, the Board declared an interim dividend of HK$0.60 per share for the year ending 31 December 2017 to Shareholders of the Company. This interim dividend was paid to Shareholders on 22 June 2017. A second interim dividend of HK0.30 per share for the year ending 31 December 2017 was declared by the Board on 23 August 2017.

SHARE BUY-BACK

The Board is devoted to enhance value for our Shareholders. As announced on 24 January 2017 and revised on 13 February 2017, the Company put forward a revised proposal to buy back 120 million shares out of a total of 438 million shares (representing approximately 27.40%) at the offer price of HK$35.075 per share ("Offer") which requires a cash outlay of HK$4,209 million. The outcome of the Offer is pending upon the Company's application to the High Court for a judicial review on certain decisions of the Takeovers and Mergers Panel of the Securities and Futures Commission. A court hearing has been scheduled on 26 and 27 September 2017. The Company shall update Shareholders after the court's determination.

BUSINESS AND OUTLOOK

Consolidation of the advertising market in Hong Kong continued during the Period which extended the down trend since the financial year 2015. However, we are pleased to note that advertising sales has exhibited in recent months signs of stabilisation, hopefully leading towards a recovery phase. Through continuous effort to strengthen sales, income from advertisers generated from terrestrial TV broadcasting, our "first" platform, has stabilised and reported a small increase of 0.6% during the Period.

Launched in April 2016 as our "second" platform, over-the-top ("OTT") service myTV SUPER has been delivering promising growth and registered initial success. The service has garnered over 4.4 million users in Hong Kong, with 1.2 million users consuming contents either through set-top-boxes ("STB") or web, while 3.2 million accounts operate via mobile app. Our result has excelled well above the humble initial target of 1.4 million users set last year. Since launch, we are noticing a steady shift of TV consumption to this platform, boosting up our TV ratings by as much as 1.07 TVRs. This trend is showing that delivery through OTT is becoming a growing audience segment. For a similar service overseas, an upgraded version of TVB Anywhere has been introduced and replaced the traditional satellite pay TV services in Australia and Europe.

In July 2017, we launched the social media app, Big Big Channel, as our "third" platform with much fanfare and anticipation. This new online social-entertainment platform, carrying original short formatted content which features TVB's artistes and KOLs, is expected to attract followers globally.

From terrestrial, OTT to social media, we have successfully completed the execution of our three-platform strategy, which positions us as a major multi-media platform in Hong Kong, offering one-stop solution to advertisers for airtime commercials and content marketing. With these three platforms, we endeavour to maintain our position in the advertising market, and to increase our global footprint, by delivering high quality content that closely engages with our audience.

During the Period, we completed and delivered the first two of a new series of co-produced drama to our partners in Mainland China for exhibition on their online platforms. These co-produced drama serials will further excel our brand and artistes in one of the fastest growing market in the world. Further titles of this series will be rolled out during the latter half of 2017 and 2018.

In July 2017, we announced a formation of a US$100 million joint venture with Imagine Entertainment, an Academy Award and Emmy-winning production company founded and led by Brian Grazer and Ron Howard, to finance the development and production of a slate of television serials. We are extremely delighted with this new international cooperation, and very much look forward to the opportunities to collaborate in productions.

Charles Chan Kwok Keung
Chairman

Hong Kong, 23 August 2017

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Hong Kong TV Broadcasting continues to be our largest revenue contributor, accounting for 65% of the Group's revenue. During the Period, segment revenue (including advertising and production income) increased by 9% from HK$1,235 million to HK$1,340 million.

TV ADVERTISING

After a prolonged cyclical downturn, the Hong Kong economy experienced a mild recovery in the first half of 2017, and registered a growth in GDP of 4% during the first half of 2017. This growth has begun to benefit the retail sector progressively over time. The monthly retail sales index which has suffered from year-on-year declines in the last two years finally exhibited a 3% growth in March 2017, and then supported by continued small growth in the following consecutive months.

The advertising market, however, has yet to recover, as total advertising spending in Hong Kong was estimated to have fallen by 4% year-on-year in the first half of 2017. We are pleased to note that advertising sales has exhibited in recent months signs of stabilisation, hopefully leading to a recovery phase. With our well-founded position in the TV market with extensive audience reach, our advertising sales was less affected.

During the Period, income from advertisers derived from Hong Kong terrestrial TV broadcasting was HK$1,130 million (2016: HK$1,122 million), an increase of 0.6%. We are noting some signs of stabilisation in the advertising market, after a continuous fall from the peak of HK$3,195 million recorded in the financial year of 2014. We hope that these signs are indicative of a market recovery.

To better position ourselves for market changes, we streamlined the sales team and upgraded the booking and billing system to enhance our advertising sales service. We took advantage of the events celebrating the 20^{th} anniversary of the establishment of the Hong Kong SAR to recruit governmental and related advertising budgets. Moreover, a number of TV advertising packages targeting a wide range of advertiser segments were introduced. In particular, our one-stop advertising package, namely Perfect Match Ad Package, continues to deliver great value to advertisers.

The government/quasi-government category recorded nearly 100% increase in revenue, making it one of the top ten spending category in the first half of 2017. Finance companies were aggressive spenders, recording more than 40% growth in advertising spending during the Period. However, our staple categories, like milk powder and skin care, did not perform so well, recording declines of 11% and 12%, respectively.

TERRESTRIAL TV CHANNELS

During the last 18 months, two new entrants Viu TV (being operated by the PCCW group) and Fantastic TV (being operated by the i-Cable group) made their formal debuts. Together with the three channels from the government-run Radio Television Hong Kong, viewers have access to a total of 11 channels in the domestic free TV market.

TVB continues to broadcast using the terrestrial TV spectrum a total of five channels, namely Jade (channel 81), J2 (channel 82), TVB News (channel 83), Pearl (channel 84) and TVB Finance (channel 85). This multi-channel strategy has been designed to address the viewing habits of a wide demographic group.

TVB Finance, rebranded from J5, is the only free 24 hours financial news channel in Hong Kong, and additionally offers content covering current affairs, properties and capital market news, health and wealth management, and technologies.

Drama serial has always known as TVB's most iconic programmes. During the Period, we completed the first two of our co-produced drama serials *Legal Mavericks* and *Line Walker: The Prelude* with iQiyi and Tencent, respectively. In June 2017, we started to release *Legal Mavericks* during Jade's weekend prime time, and expect to release more co-produced titles in the latter part of 2017 and 2018. We believe that, through working with these leading online platforms in Mainland China, we can showcase drama genre which carries a distinctive Hong Kong origin and further help develop business opportunities there.

HONG KONG DIGITAL NEW MEDIA BUSINESS

Digital new media business remains one of our key growth drivers. During the Period, segment revenue increased by 46% from HK$84 million to HK$122 million, reflecting a full six months' service of myTV SUPER in 2017. Together with Big Big Channel, we anticipate further expansion of our digital new media business as we are able to cover a much larger demographic of the viewing population.

myTV SUPER

Having achieved initial success since its launch in April 2016, myTV SUPER is on its way to becoming Hong Kong's largest OTT online video platform for long-form video content in terms of streaming capacity, quality and stability. This service is available through mobile devices, STB, web-based devices. A programme download function has been introduced to mobile app users since April 2017, as part of a service enhancement. A user interface was developed to showcase and promote special event content, such as major sporting events and new content packages. Streaming performance continues to improve, growing healthy in tandem with the subscriber base and the usage levels.

myTV SUPER service now carries more than 50 live channels (including 20 TVB branded channels) and over 36,000 hours of content on demand. During the Period, we further enriched the content offering by adding new channels like the Chinese Opera Channel, Celestial Classics Movies, KIX, Thrill, tvN, Nickelodeon, and Nick Junior. New VOD packages bundling these channels were also introduced, in addition to a myTV SUPER Movie SVOD[1] package, featuring older titles such as the Bruce Lee's movies in 4K.

Hard bundled arrangements with two major ISPs, namely Hong Kong Broadband Network and Hutchison Telecommunications, continued to perform well, bringing a steady growth in subscribers. The smooth migration of free-tier users from the previous service of TVB.COM to myTV SUPER also contributed to the rapid uptake in subscribers. Currently, myTV SUPER has over 4.4 million users, excelling well above our initial target of 1.4 million users by November 2017. Among these users, 1.2 million users consume contents either through STB or web while the remaining 3.2 million use mobile app. We have been noting a gradual shift of TV consumption to this OTT platform, boosting up our 24 hours TV ratings in Hong Kong by as much as 1.07 TVRs[2].

The increasing subscriber numbers and stream views on myTV SUPER are helping advertising sales growth and our negotiations with advertisers. To improve the monetisation, we have introduced new advertising features on STB, which include distributing banner ads and U-shaped display ads during live and as-live viewing. These new features are expected to contribute to future revenue growth.

With this momentum, the rate of expenditure recovery is accelerating, and it is anticipated to attain full recovery of recurring expenditure by the end of this year.

Big Big Channel

To complete digital new media plan, we launched a new online social media platform, Big Big Channel, officially on 23 July 2017. Big Big Channel connects with the users via a free mobile app, which provides short formatted contents for chic topics like home-cooking, dining-out, beauty advice, child-caring, music, adolescents and online games. This new platform is expected to attract followers globally by using self-produced content, featuring TVB's artistes and KOLs. Big Big Channel is capable of delivering content marketing for advertisers by using content spun off from TVB's programmes and interactive online games, which can be expanded into an e-commerce business. Through this innovative social experience on Big Big Channel, artistes, KOLs and fans can strengthen their bonds, enabling fans to chat online and send virtual gifts to artistes.

[1] SVOD stands for streaming video on demand.

[2] Data of myTV SUPER is sourced from Nielsen SiteCensus. The conversion of myTV SUPER online data to rating is supported by a certified document issued by Nielsen dated 24 July 2013.

Since launch, the number of registered users to date is in excess of 1.28 million. This represents a good head start for the development of this platform and a fast expenditure recovery is expected in the development period. We target to achieve 3 million subscribers in a year's time, by leveraging our dominant market share in terrestrial TV and the fast-growing user base of our OTT platform.

OTHER HONG KONG OPERATIONS

INVESTMENT IN THE MOVIE BUSINESS

Shaw Brothers Holdings (Hong Kong listed, stock code: 00953) and Flagship Entertainment Group are the two major movie investment platforms of the Group. A number of movies are under production.

MUSIC ENTERTAINMENT

The Voice Entertainment Group Limited ("Voice Entertainment"), a wholly-owned subsidiary of the Company. Voice Entertainment engages in artistes' sound recordings, music productions, music copyrights management, music publishing, and artistes' management.

To further strengthen its artiste base, Hana and Chau Pakho have joined Voice Entertainment during the Period. Voice Entertainment continues to produce title and ending theme songs for TVB drama serials, which help promote both the programmes and the singer artistes.

PUBLICATIONS

Digital disruption and sluggishness in the Hong Kong retail market has taken the most severe toll on magazine publishing with a noticeable number of business closures. Advertising revenue for magazines in Hong Kong fell more than 30% per annum for the past three years.

TVB Weekly marks its 20th anniversary as a weekly magazine and continues to engage with the loyal fans of TVB programmes. It is now one of the largest magazine publishers in Hong Kong. Despite the adverse factors, TVB Weekly managed to stay afloat due to its loyal readership base of ardent TVB fans and maintenance of its credible editorial for image conscious advertisers, as well as extensive efforts to boost event and other non-display advertising income.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION (INCLUDING CHINA OPERATIONS)

Total revenue from programme licensing and distribution comprising income from distribution of TVB programmes through telecast, video and new media outside of Hong Kong, decreased by 10% from HK$532 million to HK$479 million during the Period. The decline was mainly due to the recognition of licensing revenue arising from settlement of the dispute with a major online operator in 2016 which did not recur in 2017.

Weak economy and online piracy continued to seriously affect the operating environment in our core markets, including Malaysia and Singapore. Conventional free and pay TV operators are facing declines in revenue, as a result of declining viewership and a high subscriber churn rate. Although TVB content was still the most watched programmes in the Chinese community in these two markets, digital piracy, competition from Korea and Mainland China's productions and increasing demands from audiences, present serious threat to our licensing businesses.

Our licence agreement with MEASAT Broadcast Network Systems Sdn Bhd in Malaysia has three remaining years to run until January 2020 based on the existing contract. Whilst in Singapore, the licence agreement with StarHub Cable Vision Ltd. was extended for one further year till May 2018. We continue to produce programmes on-location for these markets.

To further our business interest in Malaysia, we plan to set up our own new media platform, TVB Anywhere, to provide a more affordable service targeting non-Astro audience and the younger viewers. Meanwhile, we are going to introduce the social media app Big Big Channel to attract the younger generation.

Traditional licensing business experienced keen competition, especially in Indo-china territories. The wide distribution of dramas from Mainland China, Korea, Thailand and India generates viral threats to our business.

上海翡翠東方傳播有限公司 ("TVBC"), a joint venture between TVB, China Media Capital, Shanghai Media Group, and Gravity Corporation, continues to operate TVB's licensing business in Mainland China. Due to the change in demand in different market segments, budgets in acquiring foreign programmes by satellite TV stations continued to shrink. Coupled with stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television on imported dramas, telecast licensing business on both nationwide basis and Guangdong region performed unsatisfactorily in the first half year of 2017. However, demand for VOD contents on the Internet, as well as demands from online platforms, including PC terminals, IPTV, OTT boxes and mobile apps remained robust. TVB programmes are currently distributed through major new media players in Mainland China, and Youku Tudou continues be an important online distributor.

OVERSEAS PAY TV OPERATIONS

TVB Anywhere

Our satellite pay TV services have progressively been replaced by TVB Anywhere service. To cater to the viewing habits of Chinese speaking audience in Canada, we co-operated with Fairchild Television Limited on this new media business model with local productions available on TVB Anywhere app which was introduced to the market in July 2017. In the third quarter of 2017, TVB Anywhere targets to embark on business partnership with one of the major local telecom companies in Macau.

In Australia and Europe, migration from our traditional pay TV service to the enhanced TVB Anywhere OTT platform is in full swing and is expected to be completed by this year end. Full-spectrum migration, together with the mischief of illegal OTT set-top boxes and other pirate syndications resulted in the decline of the segment revenue by about 11% from HK$84 million to HK$75 million during the Period. However, riding on the vast opportunity in new media, we are seeing significant interest in our online advertising business.

CHANNEL OPERATIONS

Total revenue for TVB8 and Xing He channels dropped by 5% from HK$46 million to HK$43 million during the Period. Depreciation of Malaysian Ringgit and the flagging economy in Malaysia created a negative impact to the revenue.

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, including movie, music entertainment and publications.

A number of new businesses were introduced to the Group during the Period which gave rise to inevitable increases in costs: (i) myTV SUPER service was introduced in April 2016 and has been fully operational during the Period, resulting in increase in costs; (ii) two co-produced drama serials with iQiyi and Tencent were completed and delivered, resulting in a step-up in the cost of sales; and (iii) the preparation for the launch of Big Big Channel was underway during the Period, again resulted in increase in overhead costs.

The Group recorded revenue under continuing operations of HK$2,021 million (2016: HK$1,964 million), an increase of 3%. Cost of sales amounted to HK$1,094 million (2016: HK$961 million), an increase of 14%. As a result, gross profit amounted to HK$927 million (2016: HK$1,002 million), a decrease of 7%. The gross profit percentage stood at 46% (2016: 51%).

During the Period, Hong Kong TV broadcasting business segment reported an increase of 9%. Included in this segment were the advertising income and the production income from co-produced drama serials. For the Period, income from advertisers was HK$1,130 million (2016: HK$1,122 million), an increase of 0.6%.

Under programming licensing and distribution business segment, revenue dropped by HK$53 million. Licensing revenue from Malaysia and Singapore remained steady. However, as there was an absence of revenue from settlement of the dispute with a major online operator booked last period, revenue from Mainland China dropped by HK$49 million.

More revenue was earned by Hong Kong digital new media business due to the full six months of operation of myTV SUPER.

Cost of sales increased from HK$961 million to HK$1,094 million, an increase of 14%. Included in cost of sales were the cost of programmes and film rights which amounted to HK$842 million (2016: HK$713 million). The increase was mainly contributed by the incremental production costs associated with the two co-produced drama serials. Full operation of myTV SUPER services, in particular expenditure relating to the strengthening of its programme offerings, resulted in increase in costs during the Period.

Selling, distribution and transmission costs for the Period amounted to HK$284 million (2016: HK$265 million), an increase of 7%. This increase was mainly attributed to the full operation of myTV SUPER service during the Period.

General and administrative expenses for the Period amounted to HK$431 million (2016: HK$451 million), a decrease of 4%. Despite increases of costs relating to business operations, provision for impairment losses on certain trade receivables which was no longer required was written back during the Period. This resulted in an overall decrease of 4%.

Gain on disposal of investment properties arose from the sale of a property on Bade Road, Taipei, during the Period.

Finance costs for the Period amounted to HK$79 million (2016: HK$1 million) which were mainly attributed to the interest costs of US$500 million 3.625% five-year notes due 2021 ("Notes") issued on 11 October 2016.

Due to the lower contribution from Hong Kong TV broadcasting this Period, a lower income tax of HK$43 million was charged (2016: HK$54 million), a decrease of 21%. 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 40%.

Overall, the Group's profit attributable to equity holders for continuing operations amounted to HK$170 million (2016: HK$231 million), a decrease of 26%, due to (i) interest payment of HK$79 million mainly related to the Notes booked during the Period; and (ii) the opportunity loss for better interest yield as a result of setting aside cash for the share buy-back offer of HK$4,209 million.

Discontinued operations

Last period, the Group disposed of its remaining 47% equity interest in a joint venture, Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), and generated a net gain on disposal of HK$71 million. Such a gain did not recur in the Period.

Earnings per share

Overall, the Group's profit attributable to equity holders for continuing and discontinued operations for the Period totalled HK$170 million (2016: HK$302 million), a decrease of 44%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK$0.39 (2016: HK$0.69).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remains strong. At 30 June 2017, total equity stood at HK$7,171 million (31 December 2016: HK$7,230 million). There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

At 30 June 2017, the Group had restricted cash of HK$4,286 million (31 December 2016: HK$6 million). Increase was mainly due to setting aside cash for the share buy-back offer of HK$4,209 million.

The Group had unrestricted bank and cash balances of HK$1,869 million at 30 June 2017 (31 December 2016: HK$6,198 million). The decrease of 70% was mainly due to the restricted cash for the share buy-back offer. About 30% of the unrestricted bank and cash balances were maintained in overseas subsidiaries for their daily operations. Unrestricted bank and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, New Taiwan dollars and Renminbi.

The certificates of deposit amounting to HK$775 million held at 31 December 2016 (as held-to-maturity financial assets under current assets) had matured on 23 January 2017. As at 30 June 2017, the Group had held-to-maturity bond securities amounting to HK$770 million (31 December 2016: HK$524 million) which comprises a portfolio of fixed income securities issued by a number of issuers which are listed or unlisted in Hong Kong or overseas carrying a weighted average yield to maturity of 6.02% per annum (31 December 2016: 4.79%) and with maturity dates ranging from 18 January 2018 to 19 February 2027. This portfolio has been set up for treasury management purpose with the view to enhance the overall yield of the Company's cash reserves, under an established treasury policy endorsed by the Executive Committee of the Board.

Trade receivables from third parties amounted to HK$1,416 million (31 December 2016: HK$1,279 million) increased by 11% over the last year end. One major licensee, MEASAT Broadcast Network Systems Sdn Bhd, ceased to be a related party and its corresponding balance was included in trade receivables from third parties as at the end of the Period. The new co-production income receivable from key online players also contributed to the increase. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

At 30 June 2017, the Group had the intention to sell certain remaining property assets on Bade Road, with carrying value amounting to HK$42 million, which was presented as "Non-current asset held for sale" in the condensed consolidated statement of financial position at the end of the Period.

Trade and other payables and accruals decreased from HK$921 million as at 31 December 2016 to HK$904 million as at 30 June 2017 mainly due to the settlement of the provision for taxes in relation to the disposals of equity interest in the Liann Yee Group and the Neihu property, which was offset by advanced payments from the co-produced dramas.

The Group's net current assets amounted to HK$8,034 million (31 December 2016: HK$8,533 million), a decrease of 6%. The current ratio, expressed as the ratio of current assets to current liabilities, was 9.8 at 30 June 2017 (31 December 2016: 10.1).

The Group issued Notes which are guaranteed by the Company and listed in Hong Kong. The Notes proceeds has been deployed to fund the expansion of digital new media business and other capital expenditures, to make strategic investments and for general corporate purposes. At 30 June 2017, the gearing ratio, expressed as a ratio of gross debts to total equity, was 53.1% (31 December 2016: 53.1%).

At 30 June 2017, the Group had capital commitments totalling HK$188 million (31 December 2016: HK$300 million), a decrease of 37%.

The Company announced that on 13 February 2017 a revised offer would be made to buy-back, subject to conditions, up to 120,000,000 shares, representing 27.40% of the share capital of the Company, at the price of HK$35.075 per share. As at the date of this report, the offer has not yet closed. The outcome of the offer is pending upon the Company's judicial review application on certain decisions of the Takeovers and Mergers Panel. A rolled-up hearing of the court has been scheduled on 26 and 27 September 2017.

Subsequent to the end of the Period, on 26 July 2017, TVB Venture Investment, LLC ("TVB Venture"), an indirect wholly-owned subsidiary of the Company and Imagine Holding Company LLC ("Imagine") entered into the agreement in relation to the formation of a joint venture company, Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between TVB Venture and Imagine. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. TVB Venture has contributed to the capital of ITT in an amount of US$33 million as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US$67 million in the form of the Promissory Note. Details of the formation of ITT are set out in the Company's announcement dated 26 July 2017.

FINANCIAL GUARANTEES

At 30 June 2017, there were guarantees given to banks amounting to HK$8 million (31 December 2016: HK$8 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, and the Notes. 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 the Period.

SHARE OPTION SCHEME

The Company and a non wholly-owned subsidiary, Big Big Channel Holdings Limited ("Big Big Channel Holdings", formerly TVB Pay Vision Holdings Limited), adopted the Share Option Scheme and the Subsidiary Share Option Scheme on 29 June 2017 respectively. These share option schemes will be valid and effective for a period of ten years from the date of adoption. No share options were granted by the Company and Big Big Channel Holdings under the Share Option Scheme and the Subsidiary Share Option Scheme respectively during the Period.

Details of the Share Option Schemes are set out in the Company's circular dated 29 May 2017.

HUMAN RESOURCES

As of 30 June 2017, the Group employed a total of 4,341 full-time employees (31 December 2016: 4,249), 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.

Under the Share Option Schemes of the Group, options may be granted to certain directors and employees of the Group to subscribe for shares in the Company or Big Big Channel Holdings.

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 enroll in other courses on their own initiatives.

To sustain the long term steady supply of human resources for production, the Group has implemented a number of new initiatives targeting the training and the development of internal staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within our business.

TREASURY MANAGEMENT

Under a set of guidelines laid down by the Executive Committee, the Company maintains a portfolio of fixed income securities which are held to maturity for overall enhancement of the interest yield of the Company's fund. Such fixed income securities are selected from bonds issued by listed companies or stated owned companies, with or without credit ratings, taking into account the business sector; the coupon rate and the yield-to-maturity; the currency; and the maturity dates. The Executive Committee reviews the portfolio at each meeting to ensure that the guidelines are adhered to, and the investment objectives are fulfilled.

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 ("Listing Rules") during the Period.

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

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

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance. Each of the Directors and the members of Senior Management has confirmed that he/she 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 of Directors has declared the payment of a second interim dividend of HK$0.30 per share for the year ending 31 December 2017 ("Second Interim Dividend") to shareholders of the Company ("Shareholders"). The Second Interim Dividend will be paid in cash to Shareholders whose names are recorded on the Register of Members of the Company on 22 September 2017. The dividend warrants will be despatched to Shareholders on 4 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 20 September 2017 to Friday, 22 September 2017, both dates inclusive, for the purpose of determining Shareholders' entitlement to the Second Interim Dividend. During the said book close period, no transfer of shares will be registered. In order to be entitled to the Second 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, 19 September 2017.

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 2017 Interim Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in mid-September 2017.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 23 August 2017

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

Chairman and Non-executive Director
Dr. Charles CHAN Kwok Keung

Vice Chairman and Non-executive Director
LI Ruigang

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