ANNUAL REPORT 2010

周年報告

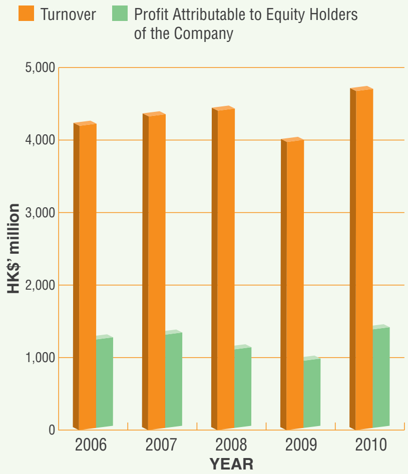
Television Broadcasts Limited

電視廣播有限公司

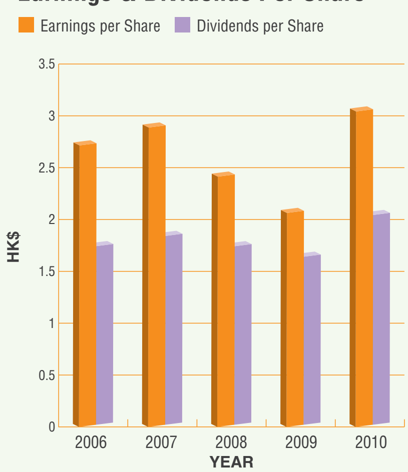
Stock Code 股份代號：00511

FINANCIAL HIGHLIGHTS

Turnover & Profit Attributable to Equity Holders of the Company



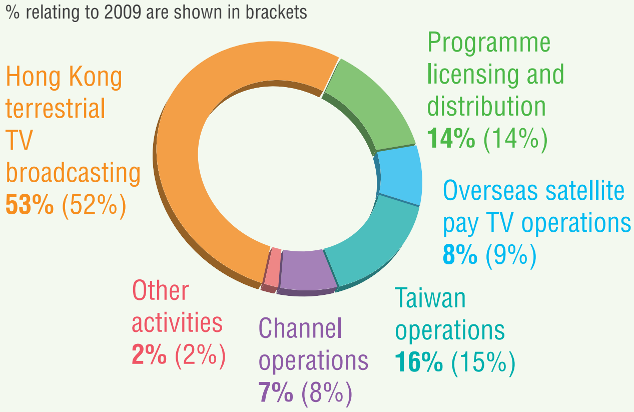
Earnings & Dividends Per Share



	2010	2009	Change
Performance			
Earnings per share	**HK$3.04**	HK$2.06	48%
Dividends per share			
– Interim	**HK$0.35**	HK$0.25	40%
– Final	**HK$1.65**	HK$1.35	22%
	HK$2.00	HK$1.60	25%
	HK$'mil	HK$' mil	
Turnover			
– Hong Kong terrestrial TV broadcasting	**2,533**	2,072	22%
– Programme licensing and distribution	**785**	667	18%
– Overseas satellite pay TV operations	**372**	348	7%
– Taiwan operations	**753**	630	20%
– Channel operations	**330**	329	0%
– Other activities	**110**	97	13%
– Inter-segment elimination	**(208)**	(160)	30%
	4,675	3,983	17%
Total expenses	**(2,686)**	(2,741)	-2%
Share of losses of associates	**(98)**	(65)	51%
Profit attributable to equity holders	**1,330**	900	48%
	31 December 2010 HK$' mil	31 December 2009 HK$' mil	
Total assets	**8,033**	7,043	14%
Total liabilities	**1,545**	1,224	26%
Total equity	**6,488**	5,819	11%
Number of issued shares	**438,000,000**	438,000,000	
Ratios			
Current ratio	**4.11**	4.39	
Gearing	**4%**	5%	

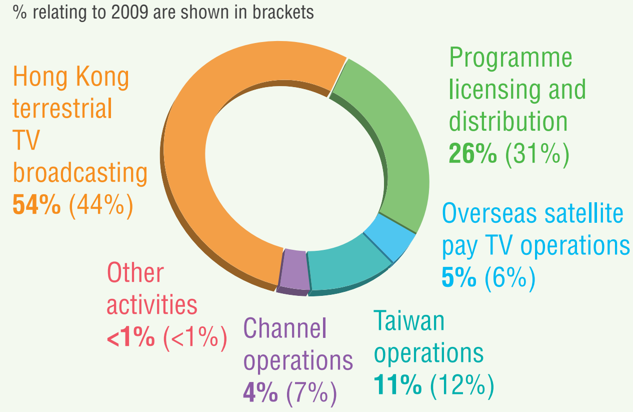
2010 Turnover by Operating Segment

% relating to 2009 are shown in brackets



2010 Reportable Segment Profit* by Operating Segment

% relating to 2009 are shown in brackets



* excluding impairment loss on trade receivables from an associate

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sir Run Run SHAW, G.B.M., Chairman #
(re-designated on 1 January 2010)
Dr. Norman LEUNG Nai Pang, G.B.S., LL.D., J.P.,
Executive Deputy Chairman *
Mona FONG, Deputy Chairperson and Managing Director *,
and Alternate Director to Sir Run Run SHAW
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* (appointed on 24 March 2010)
Anthony LEE Hsien Pin,
Alternate Director to Christina LEE LOOK Ngan Kwan

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

BOARD COMMITTEES

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

Gordon SIU Kwing Chue, Chairman
Chien LEE
Kevin LO Chung Ping

REMUNERATION COMMITTEE

Chien LEE, Chairman
Edward CHENG Wai Sun
Gordon SIU Kwing Chue
Vivien CHEN Wai Wai (appointed as member on 26 May 2010)

EXECUTIVE OFFICERS

SENIOR MANAGEMENT

Mark LEE Po On, Group General Manager
Stephen CHAN Chi Wan, General Manager – Broadcasting
CHEONG Shin Keong, General Manager – Broadcasting
Prudence CHAN Bik Wah, General Manager – International
Operations (appointed on 8 February 2011)

COMPANY SECRETARY

Adrian MAK Yau Kee

REGISTERED OFFICE

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

AUDITOR

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

AMERICAN DEPOSITARY RECEIPTS

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

STOCK CODES

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

WEBSITE

www.tvb.com

Chairman's Statement

The directors of Television Broadcasts Limited ("Directors") are pleased to present the 2010 annual report and financial statements in respect of Television Broadcasts Limited (the "Company" or "TVB") and its subsidiaries (collectively, the "Group").

RESULTS AND DIVIDEND

For the year, the Group reported a profit attributable to shareholders of HK$1,330 million (2009: HK$900 million), which translated into an earnings per share of HK$3.04 (2009: HK$2.06). At the year end, our statement of financial position remained strong with total equity standing at HK$6,488 million (2009: HK$5,819 million), and our cash at bank increased to HK$2,891 million (2009: HK$2,088 million).

At the forthcoming Annual General Meeting in May 2011, Directors will recommend a final dividend of HK$1.65 per share. Together with the interim dividend of HK$0.35 per share paid earlier, this would make a total dividend of HK$2.00 per share for the full year ended 31 December 2010, and represents an increase of 25% over 2009, and a 66% payout to our current year's profit.

BUSINESS AND OUTLOOK

During 2010, we saw a stimulating economic recovery in the key markets in which the Group operates. Our station was well-positioned to benefit from the rebound in the advertising market, and as a result, I am very pleased to report that our Group's turnover and net profit reached record high this year.

We continued to invest in our transmission network and upgraded the smaller transmission stations around Hong Kong. At the end of the year, digital coverage reached over 89% on a household and population coverage basis. We also continued to upgrade our production facilities for programme production in high definition, and are proud to claim that the Company now operates one of the most advanced production facilities in the region.

However as we surge into 2011, we anticipate challenging times for the media market, as the competition between traditional and new media is set to get more intense. Digital technologies will progressively increase their dominance across all segments of entertainment and media. Increasingly, audiences are placing more reliance on mobile devices for watching video content, as and when they would like to view them.

Within the traditional media, the landscape for terrestrial TV in Hong Kong is likely to change, as more entertainment choices and varieties will be offered by the new entrants of terrestrial TV operators, and the pay-TV operators. Therefore, in order to sustain our high programmes ratings, we must innovate and invest in programming for the future. During the last two years, audience in Hong Kong should have noticed the increasing choices and varieties in programmes from our channels, namely, HD Jade, J2 and iNews, in addition to Jade and Pearl.

During 2011, we will further exploit our library and content assets for online and mobile platforms, as well as through pay-TV services.

Finally, I wish to thank all of our stakeholders for their sterling support, and our staff for their relentless efforts to improve the quality of our services.

Run Run Shaw
Chairman

Hong Kong, 29 March 2011

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, and 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 fell 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.

OB Van

REVIEW OF OPERATIONS

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.

Can't Buy Me Love

No Regrets

Gun Metal Grey

Jade Channel

Drama

Jade enjoyed an average of 25 TVRs[1] weekday primetime[2] and 86% audience share[3] 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

OL Supreme

The Mysteries of Love

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

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.

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

Shanghai Delicacy Exposed

Fun with Liz and Gods

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.

Admiral's Feast

Miss Chinese International Pageant 2010

Papua Solomon's Treasure

Big Boys Club

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

Glee

J2

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.

When in Shanghai

Black Butler II

He's Beautiful

REVIEW OF OPERATIONS

HD Jade Channel

Over the last three years, HDJ established a stable viewership as coverage of digital terrestrial TV 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*.

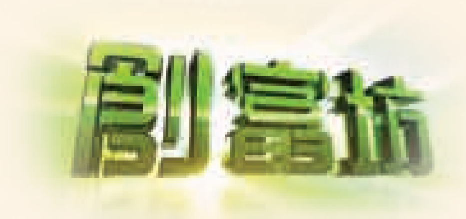
高清翡翠台

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

Wild Russia

endangered. On weekends, *Conquering with Taste* (Korean) offered viewers an indulgent culinary escape from life's daily bustle.



Money Smart

Dwelling Narrowness

Boss

REVIEW OF OPERATIONS

Pearl Channel

For the sixth consecutive year, the top 100 English programmes amongst terrestrial TV channels were all on Pearl, which boast a weekly primetime[4] audience share of 77% in 2010 (2009: 75%).

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

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

Harry Potter and the Order of the Phoenix™

Spider-Man 3

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.

Fringe

Life

REVIEW OF OPERATIONS

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 2010, 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.

Life

South Pacific

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 week[5] in the fourth quarter 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.

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

互動新聞台

The opening ceremony of the 2010 Shanghai World Expo

TVB reporter at the China pavilion at the Shanghai World Expo

24-hour news

REVIEW OF OPERATIONS

COMMENDATIONS AND AWARDS

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

Competition	Name of Entry	Award
2010 Television & Film Awards New York Festivals	Sunday Report: Sichuan Earthquake 1 Year On – The Unspeakable Truth	Gold World Medal in Best Public Affairs Program
	60 Years, A Nation: Absolute Principle / 60 Years In A Meal	Silver World Medal in Best News Documentary/Special
	News Magazine: Doubt Over The Rubble	Bronze World Medal in Best Investigative Report (Longform)
	The Pearl Report: Missing Moms	Finalist: Social Issues/Current Events
	Lai Yiu Cheung of "Rosy Business"	Finalist: Best Performance
RTDNA Edward R. Murrow Award	Tuesday Report: Child Abduction/Abandoned Child	2010 Regional Video News Documentary
ABU Prize on Climate Change Reporting	The Pearl Report: Counting Carbon	Winner

Competition	Name of Entry	Award
2010 BDA World Gold Awards	TVB Sales Presentation 2010	Silver Award in Total Package-Print
	Mr. Hong Kong Contest 2009	Bronze Award in One Time Only Set
2010 PROMAX World Gold Awards	28th Hong Kong Film Awards Presentation	Bronze Award in Live Event Spot
Asian Television Awards 2010	Bowie Lam for "Sister of Pearl"	Winner in Best Drama Performance by an Actor in a Leading Role
	Susan Tse Suet Sum for "Beyond the Realm of Conscience"	Winner in Best Drama Performance by an Actress in a Supporting Role
Lorenzo Natali Prize 2010	Tuesday Report: Child Abduction (Wong Yuk Kuen)	Special TV Lorenzo Natali Prize

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 continued 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 approximately 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).

Three Kingdoms (TVB Select)

IRIS (TVB Drama)

Sweet Corner (TVB Food)

Peter So's Academy (TVB Lifestyle)

Down with Love (TVB Drama)

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-yee 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.

Perfect Wedding

72 Tenants of Prosperity

REVIEW OF OPERATIONS

Jade Channel
USA

TVB - V
USA

TVBS - E
Europe

TVB8
Australia, China, Hong Kong, Macau, Singapore, New Zealand, USA

Xing He
Australia, China, Macau, Malaysia, New Zealand, Singapore, Thailand

TVBS
Taiwan, USA

TVBS News
Australia,
Macau, Taiwan

TVBS Golden Channel
Taiwan

TVBJ
Australia

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.

Hot News

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.

My AOD Favourite TVB Drama Awards Presentation 2010

2010 CMB Chin Chin Star Festival

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.

TVB International Chinese New Talent Singing Championship 2010

REVIEW OF OPERATIONS

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.

CORPORATE SOCIAL RESPONSIBILITY

TVB is not only committed to providing quality TV entertainment to the mass audience, it also takes an active role in participating in various community and charity activities for betterment of the community at large. Noteworthy events in 2010 included:

(1) organising the TVB Children Festival – an annual major community project of the Company since 1992. In addition to arranging an array of interesting and meaningful acquired or self-produced TV programmes, the Company also organised various activities for children aiming at helping them make the best use of their summer vacation, as well as enhancing the relationship between parents and children. Activities such as Children Drawing Competition which encouraged children to develop creativity potential through drawing; Children Story Telling Competition which promoted the reading habits of children; and a Noah's Ark outdoor activity in Ma Wan which promoted love and family values through the visit were held;

(2) taking part in the Annual Community Chest Walk by sending over 30 artistes and Miss Hong Kong titleholders to help publicise the event, and increase public participation;

(3) sending artistes to attend the Prevention of Hillfire and Conservation of Countryside Campaign and to raise public awareness on hillfire during the Chung Yeung Festival;

(4) participating in Christmas parties for the children patients which were organised by the Queen Mary Hospital and Children's Cancer Foundation; and

The Community Chest's Walk for Millions

(5) sending Miss Hong Kong titleholders and artistes to pose as models for the photographic competition organised by Leisure and Culture Development Department to help promote horticulture and greening in Hong Kong.

In addition, the Company supports and endorses the use of the powerful influence of TV to instill and bring out positive and caring messages by lining up interviews for various organisations/government departments on topics of interest to the public. On many occasions, TVB also helped channel appeals for support from various government/non-profit making organisations, e.g.: TVB worked with the Hong Kong Council of Social Service on the importance of showing respect and care to the elderly; the Agriculture, Fisheries and Conservation Department on public awareness of geo-conservation; and Hong Kong Association for Cleft Lip and Palate on a better understanding and acceptance towards cleft lip and palate patients.

In addition to receiving awards from international renowned organisations for producing quality programmes, the Company's efforts in contributing to the local community has also been recognised. In 2010, the Company was awarded by the Hong Kong Council of Social Service for producing excellent programmes *Good Time Old Buddies* and *Happy Old Buddies* for the elderly as well as receiving written commendation from the Hong Kong Association for Cleft Lip and Palate.

Artistes 414 Fund Raising Campaign

TVB Caring Foundation, an internal group formed in 2007 with the mission of "Caring our Staff and Caring our Society", provided regular assistance to different groups of our society with the much needed daily essentials or services.

In 2010, many events were organised and participated by TVB staff which included TV sets donation to elderly, organisation of TVB City Tour for disadvantaged groups and students, visit to elderly homes, and charity sale held at TVB City. These events helped bridge a caring relationship between TVB and our community.

Tung Wah Charity Show

REVIEW OF OPERATIONS

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 savings 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 amounted to 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.

Corporate Governance

Directors

Sir Run Run SHAW
G.B.M.

Chairman
(re-designated on 1 January 2010)

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

aged 103, is one of the founding directors of the Company. He was the Executive Chairman of the Company between 1980 and 2009 and was re-designated as Chairman of the Company with effect from 1 January 2010. He was chairman of the Executive Committee of the Board between 1966 and 2009 and remains as a member of the Executive Committee thereafter. He is the Executive Chairman of Shaw Brothers (Hong Kong) Limited and President of the Shaw group of companies. Through the Shaw group, he holds a major interest in the share capital of the Company. Sir Run Run Shaw established The Shaw Foundation Hong Kong Limited in 1973 and is the Appointor of The Sir Run Run Shaw Charitable Trust. He is a Permanent Honorary Chairman of the Board of Trustees of United College of The Chinese University of Hong Kong and a Life Member of the Council of The Chinese University of Hong Kong. He is the husband of Ms. Mona Fong, the Deputy Chairperson and Managing Director of the Company.

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

Executive Deputy Chairman

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

aged 70, was appointed a Director of the Company in September 2003 when he also took up the position as Executive Deputy Chairman. He is the Deputy Chairman of Transport International Holdings Ltd., which is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He is also a director of Wing Lung Bank Ltd., a company listed on the Stock Exchange until its withdrawal of listing on 16 January 2009. Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, Chairman of the Broadcasting Authority from 1997 to 2002 and Council Chairman of City University of Hong Kong from 1997 to 2003. He is now the Pro-Chancellor of City University of Hong Kong and a member of the Advisory Committee on Post-office Employment for former Chief Executives and Politically Appointed Officials.

Mona FONG

Deputy Chairperson and Managing Director, and Alternate Director to Sir Run Run Shaw

Executive Committee Member

aged 76, also known as Lee Mong Lan, has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000, as Acting Managing Director and Managing Director on 31 May 2006 and 1 January 2009 respectively and as Alternate Director to Sir Run Run Shaw on 22 October 2009. Ms. Fong is the Deputy Chairperson and Managing Director of Shaw Brothers (Hong Kong) Limited, and Chairperson and Managing Director of the Shaw group of companies. She is also the Chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong. Ms. Fong is the wife of Sir Run Run Shaw, the Chairman of the Company.

Christina LEE LOOK Ngan Kwan

Non-executive Director

Executive Committee Member

aged 87, is the widow of the Founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became a Director of the Company in 1981. She is a non-executive director of Sa Sa International Holdings Limited, a company listed on the Stock Exchange. Mrs. Lee is actively involved in Caritas, Hong Kong, a local charitable organisation. Mrs. Lee is the aunt of Mr. Chien Lee, an Independent Non-executive Director of the Company, and the mother of Mr. Anthony Lee Hsien Pin, an Alternate Director to her.

Dr. CHOW Yei Ching

G.B.S.

Non-executive Director

aged 75, was appointed a Director of the Company in 2000. He is the founder and chairman of Chevalier group, which consists of two listed companies on the Stock Exchange – Chevalier International Holdings Limited and Chevalier Pacific Holdings Limited. He is also an independent non-executive director of Towngas China Company Limited, a listed company on the Stock Exchange. He was appointed the Honorary Consul of The Kingdom of Bahrain in Hong Kong in 2001. Dr. Chow resigned as an independent non-executive director of Shaw Brothers (Hong Kong) Limited on 16 April 2009, which was a company listed on the Stock Exchange until its withdrawal of listing on 19 March 2009. He also resigned as an independent non-executive director of Van Shung Chong Holdings Limited, a listed company on the Stock Exchange, on 1 January 2010.

DIRECTORS

Kevin LO Chung Ping

Non-executive Director
Executive Committee Member
Audit Committee Member

aged 74, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed a Director of the Company in November 1977. He is also a director of Gold Peak Industries (Holdings) Limited, a company listed on the Stock Exchange.

Edward CHENG Wai Sun

S.B.S., J.P.
Independent Non-executive Director
Remuneration Committee Member

aged 55, was appointed an Independent Non-executive Director of the Company in June 2006. He is an executive director, the chief executive and deputy chairman of Wing Tai Properties Limited (formerly known as USI Holdings Limited), a non-executive director of Winsor Properties Holdings Limited, and an independent non-executive director of Orient Overseas (International) Limited, all of which are listed on the Stock Exchange. Mr. Cheng has many years of public service experience in urban renewal, finance, housing, corruption prevention, technology and education. Mr. Cheng is currently a member of the University Grants Committee.

Chien LEE

Independent Non-executive Director
Remuneration Committee Chairman
Audit Committee Member

aged 57, was appointed an Independent Non-executive Director of the Company in March 2005. He is also non-executive director of Hysan Development Company Limited and Swire Pacific Limited, both listed on the Stock Exchange. Mr. Lee is also a Council Member of The Chinese University of Hong Kong and St. Paul's Co-educational College. Mr. Lee is the nephew of Mrs. Christina Lee Look Ngan Kwan, a Non-executive Director of the Company and is a cousin of Mr. Anthony Lee Hsien Pin, an Alternate Director of the Company.

Gordon SIU Kwing Chue

G.B.S., J.P.

Independent Non-executive Director
Audit Committee Chairman
Remuneration Committee Member

aged 65, was appointed Independent Non-executive Director of the Company in July 2007. He is also an independent non-executive director of Transport International Holdings Limited and China Resources Enterprise, Limited, which are listed on the Stock Exchange. Mr. Siu joined the Civil Service in 1966, rose to the rank of Secretary, Government Secretariat in 1993 and retired from the Service in 2002 with a service of over 36 years.

Vivien CHEN Wai Wai

Independent Non-executive Director
Remuneration Committee Member
(appointed on 26 May 2010)

aged 52, was appointed an Independent Non-executive Director of the Company in September 2009. Ms. Chen is the chairman and managing director of Nan Fung group which was founded by her father, Dr. Chen Din-hwa. Ms. Chen is the chairman of The D H Chen Foundation which was established in Hong Kong by her father to support worthy causes in education, medicine, welfare and the promulgation of Buddhism. In addition, she is the founder of her own foundation named The Chen Wai Wai Vivien Foundation Limited and is a trustee of her mother's foundation, Chen Yang Foo Oi Foundation Limited. Ms. Chen is also the Honorary President of the Shanghai Fraternity Association, the International Ningbo Merchants Co. Ltd. and the Ning Po Residents Association (H.K.) Ltd.; the Honorary Vice-President of the Shanghai Charity Foundation, a charity set up by the city of Shanghai; and one of the founders of the Hong Kong Eating Disorders Association Limited.

DIRECTORS

Anthony LEE Hsien Pin

Alternate Director to
Mrs. Christina Lee Look Ngan Kwan

aged 53, is a director of Hysan Development Company Limited, a company listed on the Stock Exchange, and a director of Lee Hysan Estate Company Limited, and also a director and substantial shareholder of Australian-listed Beyond International Limited. He was appointed as Alternate Director to Mrs. Christina Lee Look Ngan Kwan in September 2002. He is the son of Mrs. Christina Lee Look Ngan Kwan, a Non-executive Director of the Company and is a cousin of Mr. Chien Lee, an Independent Non-executive Director of the Company.

Mark LEE Po On

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

aged 55, joined TVB in early 2007 as General Manager – Finance and Administration. He was promoted to Group General Manager in September 2009 and was appointed an Executive Director of the Company in March 2010. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants. During the period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. From 1988 to early 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of director and CEO of Asia Television Limited which was a former affiliate of the consortium.

SENIOR MANAGEMENT

Stephen CHAN Chi Wan

General Manager - Broadcasting

aged 52, first joined TVB as Controller, Programme and took on the added responsibilities of Controller, External Affairs in 1996. He was promoted to Assistant General Manager – Television Broadcasting in April 2002 and to General Manager – Broadcasting in April 2004. Mr. Chan has extensive experience in the administration, broadcasting and corporate communication field. Before joining TVB, Mr. Chan had worked in various departments of the Hong Kong Government for ten years and Hong Kong Commercial Broadcasting Limited.

CHEONG Shin Keong

General Manager - Broadcasting

aged 54, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising/marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He assumed the duties of General Manager – Broadcasting in April 2004. He is responsible for marketing and sales, and business development matters of the terrestrial television. He is a Fellow and Council Member of the Hong Kong Management Association and a Fellow of the Chartered Institute of Marketing.

Prudence CHAN Bik Wah

General Manager - International Operations

(appointed on 8 February 2011)

aged 52, joined TVB in 2011 as General Manager – International Operations. Prior to joining TVB, Ms. Chan was the CEO of Octopus Holdings Limited from 2006 until early 2011. From 2002 to 2006, she was the Country Manager of Hong Kong and Macau at Visa International. From 1989 to 2002, Ms. Chan held senior positions in the telecommunications industry and has extensive experience in consumer and mobile markets. She has served as COO of Smartone Telecommunications Holdings Ltd. and Director of Sales and Marketing Operations, Mobile Services at the then Cable & Wireless HKT. She also served on various public and industry groups including the Internet & Telecom Association of Hong Kong and the Hong Kong Retail Management Association.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

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

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 68. Movements in the reserves of the Group and the Company during the year are set out in Note 17 to the consolidated financial statements on pages 108 to 109.

Distributable reserves of the Company at 31 December 2010, calculated under Section 79B of the Companies Ordinance of Hong Kong, amounted to HK$4,421,823,000 (2009: HK$4,017,192,000).

DIVIDENDS

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.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$72,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

DIRECTORS

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

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

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

Pursuant to Article 109 of the Company's articles of association ("Articles"), Ms. Vivien Chen Wai Wai, who was appointed by the Board as an Independent Non-executive Director of the Company on 1 September 2009, and Mr. Mark Lee Po On, who was appointed by the Board as an Executive Director of the Company on 24 March 2010, had retired at the Company's 2010 annual general meeting on 26 May 2010 ("2010 AGM") and were successfully elected at the 2010 AGM.

In accordance with Article 114(A) of the Articles, Dr. Chow Yei Ching, Mr. Kevin Lo Chung Ping, Mr. Chien Lee and Mr. Gordon Siu Kwing Chue will retire at the 2011 AGM and, being eligible, offer themselves for re-election at the 2011 AGM.

Details of the Directors, subject to retirement for re-election at the 2011 AGM, are set out in the notice of the 2011 AGM which will be sent together with this Annual Report to the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out on pages 36 to 41 of this Annual Report.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2010, the interests and short positions of the Directors in the shares of the Company as recorded in the register required to be kept pursuant to Section 352 of Part XV of the Securities and Futures Ordinance, Chapter 571 ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are set out below:

Long position in the shares of the Company

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

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

Notes:

(a) Percentage of issued share capital was based on the 438,000,000 ordinary shares of the Company in issue at 31 December 2010.

(b) The total of 141,174,828 shares included 113,888,628 shares which were held by Shaw Brothers (Hong Kong) Limited ("Shaw Brothers") and 27,286,200 shares which were held by The Shaw Foundation Hong Kong Limited. Shaw Holdings Inc., directly and through its wholly owned subsidiaries, together with Ms. Mona Fong, the wife of Sir Run Run Shaw, have total equity interest of 100% in Shaw Brothers. Shaw Holdings Inc. also holds 100% equity interest in The Shaw Foundation Hong Kong Limited. Sir Run Run Shaw exerts 100% control over Shaw Holdings Inc. through The Sir Run Run Shaw Charitable Trust.

(c) The total of 16,701,000 shares included 11,958,000 shares which were held by Trio Investment Corporation S.A., 3,162,000 shares which were held by Compass Inc. and 1,581,000 shares which were held by Bonus Inc. and in respect of such shares only, directors of these companies are all accustomed to act in accordance with the directions of Mrs. Christina Lee Look Ngan Kwan.

Save for the information disclosed above, at 31 December 2010, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

The Company and any of its subsidiaries did not operate any employee share option scheme, and therefore, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2010, the interests or short positions of the persons (other than the Directors of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

Long position in the shares of the Company

Name	Number of ordinary shares of HK$0.05 each held	Percentage of issued share capital (%)(a)
Shaw Brothers (Hong Kong) Limited	113,888,628*	26.00
The Shaw Foundation Hong Kong Limited	27,286,200*	6.23
Dodge & Cox	27,065,000 (b)	6.18
Silchester International Investors LLP	22,512,000 (b)	5.14
JPMorgan Chase & Co.	21,975,964 (c)	5.02
Matthews International Capital Management, LLC	21,959,833 (b)	5.01
Marathon Asset Management LLP	21,900,135 (b)	5.00

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

Short position in the shares of the Company

Name	Number of ordinary shares of HK$0.05 each held	Percentage of issued share capital (%)(a)
JPMorgan Chase & Co.	2,000,000	0.46

Notes:

(a) Percentage of issued share capital was based on the 438,000,000 ordinary shares of the Company in issue at 31 December 2010.

(b) Interests were held in the capacity of investment managers.

(c) (i) Interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	2,016,000	2,000,000
Investment manager	213,680	–
Custodian corporation/approved lending agent	19,746,284	–

(ii) Details of the interest in long position of the 21,975,964 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct(D)/ indirect(I) interests in the shares	Number of shares (Long position)	Percentage of issued share capital (approximately %)
JPMorgan Chase Bank, N.A.	D	19,752,284	4.5097
J.P. Morgan Whitefriars Inc.	D	16,000	0.0037
J.P. Morgan Overseas Capital Corporation	I	16,000	0.0037
J.P. Morgan International Finance Limited	I	2,016,000	0.4603
Bank One International Holdings Corporation	I	2,016,000	0.4603
J.P. Morgan International Inc.	I	2,016,000	0.4603
JPMorgan Chase Bank, N.A.	I	2,016,000	0.4603
JPMorgan Asset Management (UK) Limited	D	33,000	0.0075
JPMorgan Asset Management Holdings (UK) Limited	I	33,000	0.0075
JPMorgan Asset Management International Limited	I	33,000	0.0075
JPMorgan Asset Management Holdings Inc.	I	207,680	0.0474
JF Asset Management Limited	D	174,000	0.0397
JPMorgan Asset Management (Asia) Inc.	I	174,000	0.0397
J.P. Morgan Investment Management Inc.	D	680	0.0002
J.P. Morgan Securities Ltd.	D	2,000,000	0.4566
J.P. Morgan Chase International Holdings	I	2,000,000	0.4566
J.P. Morgan Chase (UK) Holdings Limited	I	2,000,000	0.4566
J.P. Morgan Capital Holdings Limited	I	2,000,000	0.4566

N1: JPMorgan Chase & Co. was deemed to be interested in an aggregate of 21,975,964 shares held or deemed to be held by:

(1) JPMorgan Chase Bank, N.A. (21,768,284 shares); and

(2) JPMorgan Asset Management Holdings Inc. (207,680 shares).

N2: (1) JPMorgan Chase Bank, N.A. held directly 19,752,284 shares.

(2) JPMorgan Chase Bank, N.A. was also deemed to be interested in an aggregate of 2,016,000 shares, held by the following indirect subsidiaries, and through J.P. Morgan International Finance Limited ("JPIF"):

(a) 2,000,000 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF.

(b) 16,000 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, wholly-owned by JPIF.

N3: (1) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 207,680 shares, held by the following indirect subsidiaries:

(a) 174,000 shares were held by JF Asset Management Limited, wholly-owned by JPMorgan Asset Management (Asia) Inc., wholly-owned by JPAMH.

(b) 680 shares were held by J.P. Morgan Investment Management Inc., wholly-owned by JPAMH.

(c) 33,000 shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, wholly-owned by JPMorgan Asset Management International Limited, wholly-owned by JPAMH.

(iii) 19,746,284 shares of interests disclosed in above note (c)(ii) represent shares of the Company in the lending pool.

(iv) Details of the interest in short position of the 2,000,000 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct(D)/ indirect(I) interests in the shares	Number of shares (Short position)	Percentage of issued share capital (approximately %)
J.P. Morgan Securities Ltd.	D	2,000,000	0.4566
J.P. Morgan Chase International Holdings	I	2,000,000	0.4566
J.P. Morgan Chase (UK) Holdings Limited	I	2,000,000	0.4566
J.P. Morgan Capital Holdings Limited	I	2,000,000	0.4566

N1: JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 2,000,000 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF, wholly-owned by Bank One International Holdings Corporation, wholly-owned by J.P. Morgan International Inc., wholly-owned by JPMorgan Chase Bank, N.A., wholly-owned subsidiary of JPMorgan Chase & Co.

Save for the information disclosed above, at 31 December 2010, no other persons (other than the Directors or chief executive of the Company) had any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO or as otherwise notified the Company.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

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

Continuing Connected Transactions

1. Continuing connected transactions with Hong Kong Movie City Company Limited ("HKMC")

   As announced on 2 February 2010, the Company and TVB.COM Limited ("TVB.COM"), an indirect wholly-owned subsidiary of the Company, entered into several agreements on 1 February 2010 (including the tenancy agreements, colocation services agreement, IP telephone licence, and parking licences, collectively, "HKMC Agreements") with HKMC for the lease of certain properties and car parking spaces at Shaw Studios, a property located at 201 Wan Po Road, Tseung Kwan O, Kowloon, Hong Kong, which is wholly-owned by HKMC, and for various facilities services, on such terms and conditions as stipulated in the HKMC Agreements.

   As HKMC is an associated company of Shaw Brothers (a substantial shareholder of the Company) and an associate of Sir Run Run Shaw and Ms. Mona Fong, both Directors of the Company, the entering into the HKMC Agreements constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the HKMC Agreements are as follows:

   (a) On 1 February 2010, the Company and HKMC entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses paid by the Company to HKMC during 2010 was HK$2,343,000.

(b) On 1 February 2010, TVB.COM and HKMC entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses paid by TVB.COM to HKMC during 2010 was HK$2,772,000.

(c) On 1 February 2010, TVB.COM and HKMC entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Studios, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The rent and related expenses paid by TVB.COM to HKMC during 2010 was HK$1,571,000.

(d) On 1 February 2010, TVB.COM and HKMC entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from HKMC for storage of server equipment at Shaw Studios for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The service fees paid by TVB.COM to HKMC during 2010 were HK$2,376,000.

(e) On 1 February 2010, TVB.COM and HKMC entered into an Internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an Internet protocol telephony communication system services installed by the HKMC at the offices at Shaw Studios which are occupied by TVB.COM as abovementioned. The licence fee paid by TVB.COM to HKMC during 2010 was HK$214,000.

(f) On 1 February 2010, the Company and HKMC entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking space(s) at Shaw Studios for a six month licence period from 1 February 2010 and renewable for every six months. The licence fee paid by the Company to HKMC during 2010 was HK$14,000.

(g) On 1 February 2010, TVB.COM and HKMC entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Studios for a six month licence period from 1 February 2010 and renewable for every six months. The licence fee paid by TVB.COM to HKMC during 2010 was HK$137,000.

2. Continuing connected transactions with MEASAT Broadcast Network Systems Sdn. Bhd. (“MBNS”)

2A. As announced on 8 February 2010, the agreements entered into between several companies within the Group and MBNS relating to the supply of programmes and channels, and the provision of management services and advertising sales services for the period from 1 October 2004 to 30 September 2009, had been extended from 1 October 2009 to 31 December 2009 (as stated in the Company’s announcement dated 13 October 2009, “First MBNS Extension Announcement”), and from 1 January 2010 to 31 January 2010 (as stated in the Company’s announcement dated 6 January 2010, “Second MBNS Extension Announcement”), on the same terms and conditions as contained in the respective agreements, pending negotiation and agreement on the terms of the new contracts.

As MBNS is an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries of the Company, the extension of the terms of the said agreements again as mentioned in the Second MBNS Extension Announcement constituted continuing connected transactions for the Company which are subject to the annual review, reporting and announcement requirements under the Listing Rules. The aggregate amount of the consideration received from MBNS by the Group under the extension period from 1 January 2010 to 31 January 2010 was RM9,236,000 (HK$22,431,000).

2B. As announced on 22 March 2010, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company, entered into binding principal terms with MBNS on 10 March 2010 in the form of a confirmation letter ("Short Form Agreement") relating to the granting of the rights by TVBI to MBNS to distribute certain programmes and the licensed channels in Malaysia and Brunei, and that TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company, had been engaged by MBNS as an advertising agency for managing and selling of airtime on certain channels.

As MBNS is an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries of the Company, the transactions contemplated under the Short Form Agreement, together constituted non-exempt continuing connected transactions for the Company which are subject to approval of the independent shareholders of the Company under the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 26 May 2010 and the relevant parties had signed the formal agreements ("MBNS Agreements") on 13 December 2010. Details of the MBNS Agreements are as follows:

(a) On 13 December 2010, TVBI and MBNS entered into an agreement, pursuant to which TVBI agreed to grant to MBNS the exclusive right to broadcast, transmit and exhibit certain programmes and the licensed channels on the Astro Services (the pay television service which is provided and operated by MBNS in Malaysia and Brunei using the trade mark name "ASTRO") within Malaysia and Brunei for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The income accrued by TVBI during 2010 was HK$191,508,000 (RM78,859,000).

(b) On 13 December 2010, TVBI and MBNS entered into an agreement, pursuant to which TVBI agreed to grant to MBNS the exclusive right to transmit and exhibit certain licensed programmes on the Near Video On Demand (NVOD)/Video On Demand (VOD) Services on any platform owned or operated by MBNS or its affiliates within Malaysia and Brunei for a five year fixed term commencing from 1 January 2010 to 31 December 2014. For the five year contract term, an independent financial adviser appointed for the transactions was of the view that it was in the benefit of the Company to lock-in a longer contract term of 5 years, which was in line with normal business practice, to ensure its continuous exposure in Malaysia and Brunei via a trusted partner in the absence of its own platform. The income accrued by TVBI during 2010 was HK$53,157,000 (RM21,889,000).

(c) On 13 December 2010, TVBSE and MBNS entered into an agreement, pursuant to which MBNS appointed TVBSE as an exclusive consultant to advise on the management and selling of airtime, including management of a Chinese sales team, for certain 24-hour turnaround channels and a Chinese language entertainment channel – Wah Lai Toi (which is owned and operated by MBNS) on MBNS's platform for a three year fixed term commencing from 1 February 2010 to 31 January 2013. The income accrued by TVBSE during 2010 was HK$42,464,000 (RM17,486,000).

3. Continuing connected transactions with Concept Legend Limited ("JV Company") and its subsidiary (collectively, "JV Group")

   As announced on 4 November 2010, the Company entered into separate framework service agreements and separate framework licence agreements ("Framework Agreements") on 4 November 2010 with each of the companies in the JV Group in connection with the provision of various supporting facilities and services for motion pictures production to the JV Group; and the acquisition of television broadcasting and transmission rights of motion pictures being or to be produced by the JV Group, respectively.

   The JV Company is a joint venture company established by the Company and Shaw Brothers (a substantial shareholder of the Company). Effective on 31 March 2010, the interest of Shaw Brothers in the JV Company was transferred to one of Shaw Brothers' fellow subsidiary companies, Shaw Productions Limited ("Shaw Productions"). Both Shaw Brothers and Shaw Productions are controlled by Sir Run Run Shaw and Ms. Mona Fong, both Directors of the Company. The JV Company and its subsidiary are therefore associates of the Directors or a substantial shareholder of the Company, and hence are connected persons of the Company, the entering into the Framework Agreements constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the Framework Agreements are as follows:

   (a) On 4 November 2010, the Company entered into separate framework service agreements with each of the companies in the JV Group, for the provision of various supporting facilities and services to the JV Group for their production of motion pictures, each for a period of 14 months commencing from 1 November 2010 to 31 December 2011. The aggregate income from provision of services to the JV Group for 2010 was HK$1,276,000.

   (b) On 4 November 2010, the Company further entered into separate framework licence agreements with each of the companies in the JV Group, in connection with the acquisition of television broadcasting and transmission rights of motion pictures being or to be produced by the JV Group, each for a period of 14 months commencing from 1 November 2010 to 31 December 2011. The aggregate amount paid for acquiring licence rights from JV Group for 2010 was nil.

All of the Independent Non-executive Directors have reviewed the above transactions described in paragraphs 1 to 3 above, and confirmed that these transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 46 to 49 of the Annual Report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

REPORT OF THE DIRECTORS

Connected Transactions

4. Connected transactions with the JV Group

   As announced on 4 November 2010, and subsequent to the Company's announcement published on 5 May 2009 regarding the formation of the JV Company. The Company had been providing various supporting facilities and services to the JV Company and its subsidiary, both of which are connected persons of the Company, in relation to their production or co-production of motion pictures.

   As the JV Company and its subsidiary are connected persons of the Company, these transactions constituted connected transactions for the Company. The total aggregate income generated under the relevant transactions during the last twelve-month period prior to the last transaction on or about 11 October 2010 was HK$6,750,000, which are subject to the reporting and announcement requirements under the Listing Rules.

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

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

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 23 to the consolidated financial statements on page 117 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on page 52 of this Annual Report.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee and the Remuneration Committee of the Board of the Company and their work done during the year are set out in the Corporate Governance Report on pages 55 to 59 of this Annual Report.

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 29 March 2011, there were 290 shareholders on the Company's register of members.

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 (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.

MAJOR SUPPLIERS AND CUSTOMERS

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the 2011 AGM.

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 29 March 2011

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY, TRANSPARENCY AND INTEGRITY

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives.

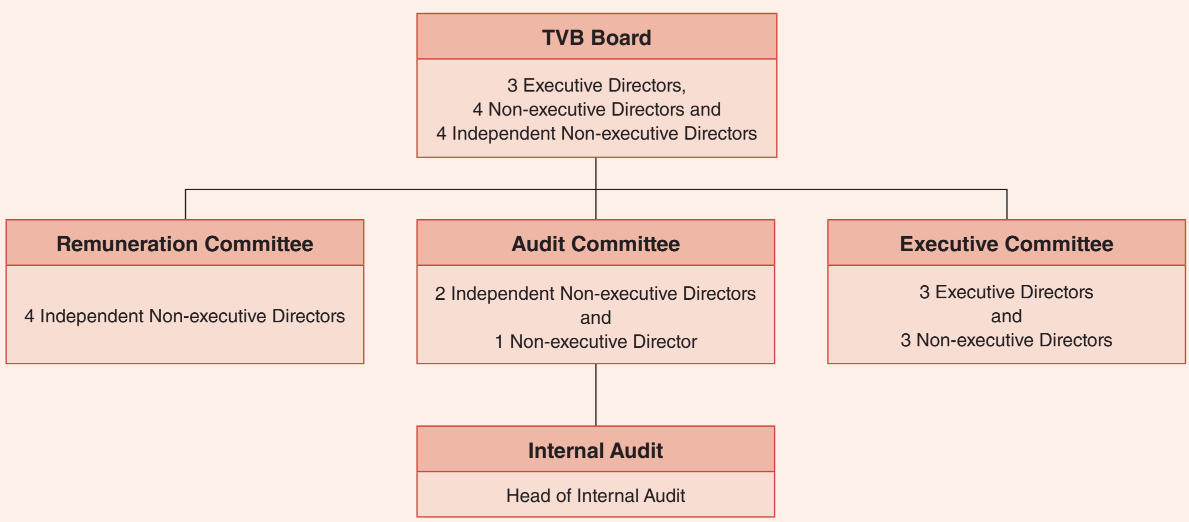
The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders.

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

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

GOVERNANCE STRUCTURE

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



CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company first adopted its own code on corporate governance 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 CG Code, save that the Chairman is not subject to retirement (as required under code provision A.4.2). Pursuant to Article 114(C) of the Articles, the Chairman is exempted from retirement. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business.

Throughout 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 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.

BOARD OF DIRECTORS

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

Composition

At the date of this report, the Board comprises:

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

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

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

Biographical details of Directors are set out on pages 36 to 40 of this Annual Report.

Board Meetings

The Board normally holds five regular meetings annually, and meets at such other times as are necessary. Five Board meetings were held during the year ended 31 December 2010. The attendance records of Directors at the Board meetings in 2010 are set out below:

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

Notes:

1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

2 Mr. Mark Lee Po On was appointed as an Executive Director at Board meeting on 24 March 2010. Four Board meetings were held for 2010, after his appointment.

Directors' Responsibilities

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

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

CORPORATE GOVERNANCE REPORT

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

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

Delegation to Management

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

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

Directors' Independence

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

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

Relationship among Directors

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

- husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong;
- mother-son relationship between Mrs. Christina Lee Look Ngan Kwan and Mr. Anthony Lee Hsien Pin;
- aunt-nephew relationship between Mrs. Christina Lee Look Ngan Kwan and Mr. Chien Lee; and
- cousin relationship between Mr. Chien Lee and Mr. Anthony Lee Hsien Pin.

SEGREGATION OF DUTIES OF THE CHAIRMAN AND THE MANAGING DIRECTOR

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

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Pursuant to the Articles, all Directors (except for the Chairman who is, pursuant to Article 114(C) of the Articles, exempted from retirement) shall be subject to retirement and re-election. Any Director appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for election at such meeting. Thereafter, they shall be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles.

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

Pursuant to Article 109 of the Articles, Ms. Vivien Chen Wai Wai, who was appointed by the Board as an Independent Non-executive Director of the Company on 1 September 2009, and Mr. Mark Lee Po On, who was appointed by the Board as an Executive Director of the Company on 24 March 2010, had retired at the 2010 AGM and were successfully elected at the 2010 AGM.

In accordance with Article 114(A) of the Articles, Dr. Chow Yei Ching, Mr. Kevin Lo Chung Ping, Mr. Chien Lee and Mr. Gordon Siu Kwing Chue will retire at the 2011 AGM and, being eligible, offer themselves for the re-election at the 2011 AGM.

Details of the Directors, subject to retirement for re-election at the 2011 AGM, as required under Rule 13.51(2) of the Listing Rules, are set out in the notice of the 2011 AGM which will be sent together with this Annual Report to the shareholders of the Company.

BOARD COMMITTEES

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

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

Executive Committee

Major roles and functions

The Executive Committee:

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

Composition

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

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

Committee meetings

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

The Executive Committee held five meetings during the year ended 31 December 2010 and dealt with the following matters:

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

The attendance records of Directors at the Executive Committee meetings in 2010 are set out below:

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

Notes:

1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

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

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

4 Mr. Mark Lee Po On was appointed as a member of the Executive Committee by the Board on 24 March 2010 after the Executive Committee meeting held on the same date. Four Committee meeting were held for 2010, following his appointment.

Remuneration Committee

Major roles and functions

The Remuneration Committee:

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

Composition

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

Chien Lee (Chairman)
Edward Cheng Wai Sun
Gordon Siu Kwing Chue
Vivien Chen Wai Wai (appointed as member on 26 May 2010)

Committee meetings

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

During the year ended 31 December 2010, the Remuneration Committee held one meeting and dealt with the following matters at the said meeting or by way of written resolutions:

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

The attendance records of Directors at the Remuneration Committee meetings in 2010 are set out below:

Director	Attendance
Independent Non-executive Directors	
Chien Lee (Chairman)	1/1
Edward Cheng Wai Sun	1/1
Gordon Siu Kwing Chue	1/1
Vivien Chen Wai Wai[2]	N/A

Notes:

1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

2 Ms. Vivien Chen was appointed as a member of the Remuneration Committee on 26 May 2010. No Remuneration Committee meeting was held during the period from 26 May 2010 to 31 December 2010, following her appointment.

Subsequent to the year end, the Remuneration Committee held a further meeting on 19 January 2011 and dealt with the following matters:

- reviewed and approved the discretionary bonuses to Senior Management and senior executives for 2010;
- reviewed and approved the discretionary bonus to the Executive Deputy Chairman for 2010; and
- reviewed and recommended increases in the fees for Directors and members of certain Board Committees.

Group's remuneration policies

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

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

Remuneration of directors

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

The Chairman is remunerated by way of a fixed fee. Other Executive Directors are remunerated by way of salaries and other incentives, such as discretionary bonus and provident fund.

The Chairman and Executive Directors are not entitled to an additional fee for serving on the Board Committees.

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

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

The current level of annual fees paid to the Directors for serving on the Board and the additional annual fees paid to Non-executive Directors for serving on the Board Committees for the year ended 31 December 2010, and the annual fees for 2011 are set out below:

Individual Director serving	Fees for 2010 HK$	Fees for 2011 HK$
Board of Directors		
Chairman	500,000 [1]	**500,000**
Executive and Non-executive Directors	120,000 [2]	**150,000** [4*]
Executive Committee		
Chairman	–	**–**
Members	75,000	**75,000**
Audit Committee		
Chairman	140,000	**140,000**
Members	90,000 [3]	**100,000** [5]
Remuneration Committee		
Chairman	40,000	**50,000** [6]
Members	30,000	**40,000** [7]

* Subject to shareholders' approval at the 2011 AGM

Notes:

1 The shareholders approved at the 2010 AGM, the reduction of fee payable to the Chairman from HK$900,000 per annum to HK$500,000 per annum (which is inclusive of all services provided to the Board and the Board Committee) with effect from 1 January 2010 due to the re-designation of Sir Run Run Shaw from Executive Chairman to Chairman with effect from 1 January 2010.

2 The shareholders approved at the 2010 AGM, the increase of fee payable to Directors from HK$100,000 per annum to HK$120,000 per annum with effect from 1 January 2010.

3 The Board approved the increase of the fee payable to members of the Audit Committee from HK$80,000 per annum to HK$90,000 per annum with effect from 1 January 2010.

4 The Remuneration Committee at its meeting held on 19 January 2011 proposed an increase in the fee payable to Directors from HK$120,000 per annum to HK$150,000 per annum with effect from 1 January 2011, subject to shareholders' approval at the 2011 AGM.

5 On the recommendation of the Remuneration Committee after its meeting held on 19 January 2011, the Board approved an increase in the fee payable to members of the Audit Committee from HK$90,000 per annum to HK$100,000 per annum with effect from 1 January 2011.

6 On the recommendation of the Remuneration Committee after its meeting held on 19 January 2011, the Board approved an increase in the fee payable to the Chairman of the Remuneration Committee from HK$40,000 per annum to HK$50,000 per annum with effect from 1 January 2011.

7 On the recommendation of the Remuneration Committee after its meeting held on 19 January 2011, the Board approved an increase in the fee payable to members of the Remuneration Committee from HK$30,000 per annum to HK$40,000 per annum with effect from 1 January 2011.

The Company did not operate any employee share option scheme and therefore, no share options of the Company had been granted to Directors or Senior Management in 2010.

Details of the Directors' and Senior Management's emoluments are set out on pages 117 to 118 of the Notes to the Consolidated Financial Statements.

NOMINATION OF DIRECTORS

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

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

The Executive Committee made reference to criteria including, inter alia, reputation for integrity, background, accomplishment and experience in the commercial industry, time commitment and relevant interest, and considered that Mr. Lee is a suitable candidate to fill the said position.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit and non-audit services have been approved by the Audit Committee. The fees for audit and non-audit services are set out as follows:

Fees for audit services

	2010 HK$'000	2009 HK$'000
Company	**1,298**	1,260
Subsidiaries	**2,764**	2,563
Total	**4,062**	3,823
Fees payable to PricewaterhouseCoopers, the principal auditor	**3,398**	3,156

Fees for non-audit services

	2010 HK$'000	2009 HK$'000
Company	**1,249**	252
Subsidiaries	**3,269**	2,742
Total	**4,518**	2,994
Fees payable to PricewaterhouseCoopers, the principal auditor	**3,960**	2,383

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

Audit Committee

Major roles and functions

The Audit Committee:

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

Composition

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

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

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

Committee meetings

The Audit Committee meets at least twice a year, and at such other times as are necessary. The Audit Committee held five meetings during the year ended 31 December 2010 and dealt with the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts;
- reviewed draft financial statements and results announcements;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the external audit;
- reviewed and discussed audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls; and
- made recommendation to the Board regarding appointment and remuneration of the external auditors.

The attendance records of Directors at the Audit Committee meetings in 2010 are set out below:

Director	Attendance
Independent Non-executive Directors	
Gordon Siu Kwing Chue (Chairman)	5/5
Chien Lee	5/5
Non-executive Director	
Kevin Lo Chung Ping	3/5

Note: Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

The reporting responsibilities of PricewaterhouseCoopers, the external auditor, are set out in the Independent Auditor's Report on page 63 of this Annual Report.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

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

FINANCIAL REPORTING AND AUDIT

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

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

INTERNAL CONTROLS

Responsibility

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

Key Control Processes

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

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

- establishment of a clear organisation structure with well defined lines of responsibilities from the Board to Board Committees, Management, and the heads of operating subsidiaries/divisions;
- documentation of a comprehensive set of internal control procedures covering all business operations of the Group;
- establishment of a comprehensive monthly management reporting system to provide financial and operational performance data to Management. Variances from targets are analysed, explained, and improvement actions are taken, if necessary, to rectify deficiencies;

- regular monitoring and assessment of effectiveness of the system of internal controls by considering the reviews performed by the Audit Committee, Management, internal auditors and external auditors, as appropriate; and
- adoption of TVB Code of Ethics governing the conduct of staff members and setting the standards of integrity and professionalism.

Monitoring Controls and Group Internal Audit

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

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

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

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

Internal Audit has from time to time liaised and worked 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.

2010 Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31 December 2010, covering financial, operational and compliance controls, together with risk management functions ("Control Review").

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

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

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

CORPORATE COMMUNICATION

Disclosure of Information

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

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

General Meetings

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

Poll results are released on the designated issuer website of the Stock Exchange and the website of the Company, in accordance with the requirements under the Listing Rules.

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

Investor Relations

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

On behalf of the Board

Norman Leung Nai Pang
Executive Deputy Chairman

Hong Kong, 29 March 2011

Financial Information

FIVE-YEAR FINANCIAL REVIEW

	2010 HK$'mil	2009 HK$'mil (Restated)	2008 HK$'mil (Restated)	2007 HK$'mil (Restated)	2006 HK$'mil (Restated)
Turnover	**4,675**	3,983	4,407	4,326	4,201
Profit before income tax	**1,811**	1,221	1,286	1,550	1,436
Income tax expense	**479**	321	230	284	247
Profit attributable to equity holders of the Company	**1,330**	900	1,055	1,264	1,189
Earnings per share	**HK$3.04**	HK$2.06	HK$2.41	HK$2.89	HK$2.71
Property, plant and equipment	**2,489**	2,549	2,532	1,908	1,915
Goodwill	**176**	163	161	163	162
Interests in associates	**581**	676	376	85	150
Other non-current assets	**121**	26	52	76	32
Current assets	**4,666**	3,629	3,621	4,019	3,428
Current liabilities	**(1,134)**	(827)	(678)	(741)	(676)
	6,899	6,216	6,064	5,510	5,011
Share capital	**22**	22	22	22	22
Reserves	**6,439**	5,771	5,586	5,322	4,823
Shareholders' funds	**6,461**	5,793	5,608	5,344	4,845
Non-controlling interests	**27**	25	26	25	23
Non-current liabilities	**411**	398	430	141	143
	6,899	6,216	6,064	5,510	5,011

The figures for the years 2006 to 2009 have been restated to reflect the prior year adjustments arising from reclassification of leasehold land that qualifies for finance leases from leasehold land to property, plant and equipment in accordance with HKAS 17 (amendment) "Leases".

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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PricewaterhouseCoopers
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Telephone +852 2289 8888
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pwchk.com

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

We have audited the consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 131, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**2,489,035**	2,549,087	2,531,794
Goodwill	7	**175,840**	163,248	161,145
Interests in jointly controlled entities	9	**12,593**	7,500	–
Interests in associates	10	**581,390**	675,830	375,674
Available-for-sale financial assets	11	**3**	3	3
Deferred income tax assets	20	**33,454**	17,995	16,925
Prepayment	13	**74,512**	–	35,182
Total non-current assets		**3,366,827**	3,413,663	3,120,723
Current assets				
Programmes and film rights		**315,868**	366,133	412,219
Stocks	12	**11,232**	13,056	12,952
Trade and other receivables, prepayments and deposits	13	**1,441,396**	1,152,715	1,095,718
Tax recoverable		**249**	2,802	1,716
Pledged bank deposits	14	**6,885**	7,002	5,158
Bank deposits maturing after three months		**211,648**	194,179	130,422
Cash and cash equivalents	15	**2,679,151**	1,893,586	1,963,094
Total current assets		**4,666,429**	3,629,473	3,621,279
Total assets		**8,033,256**	7,043,136	6,742,002
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	16	**21,900**	21,900	21,900
Other reserves	17	**818,244**	723,094	696,886
Retained earnings				
– Proposed final dividend	28	**722,700**	591,300	613,200
– Others		**4,898,020**	4,457,097	4,276,314
		6,460,864	5,793,391	5,608,300
Non-controlling interests		**27,154**	25,234	25,613
Total equity		**6,488,018**	5,818,625	5,633,913
LIABILITIES				
Non-current liabilities				
Borrowing	19	**231,107**	279,030	296,357
Deferred income tax liabilities	20	**174,112**	111,713	124,394
Retirement benefit obligations	21	**5,847**	6,706	9,563
Total non-current liabilities		**411,066**	397,449	430,314

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
Current liabilities				
Trade and other payables and accruals	18	**757,900**	640,153	593,810
Current income tax liabilities		**350,974**	164,131	61,598
Borrowing	19	**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

The consolidated financial statements on pages 64 to 131 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**1,484,232**	1,614,330	1,715,358
Interests in subsidiaries	8	**696,743**	521,538	336,788
Interests in jointly controlled entities	9	**16,231**	7,500	–
Interests in associates	10	**581,390**	721,594	569,212
Total non-current assets		**2,778,596**	2,864,962	2,621,358
Current assets				
Programmes and film rights		**284,274**	333,469	365,582
Stocks	12	**2,662**	3,099	2,209
Trade and other receivables, prepayments and deposits	13	**829,675**	679,415	645,432
Bank deposits maturing after three months		**50,792**	68,143	90,713
Cash and cash equivalents	15	**1,836,935**	1,347,991	1,318,753
Total current assets		**3,004,338**	2,432,117	2,422,689
Total assets		**5,782,934**	5,297,079	5,044,047
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	16	**21,900**	21,900	21,900
Other reserves	17	**712,144**	712,144	712,144
Retained earnings				
– Proposed final dividend	28	**722,700**	591,300	613,200
– Others		**3,629,123**	3,355,892	3,142,704
Total equity		**5,085,867**	4,681,236	4,489,948
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	20	**76,900**	88,460	100,536
Total non-current liabilities		**76,900**	88,460	100,536

	Note	As at 31 December 2010 HK$'000	2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
Current liabilities				
Trade and other payables and accruals	18	**511,245**	482,230	418,439
Current income tax liabilities		**108,922**	45,153	35,124
Total current liabilities		**620,167**	527,383	453,563
Total liabilities		**697,067**	615,843	554,099
Total equity and liabilities		**5,782,934**	5,297,079	5,044,047
Net current assets		**2,384,171**	1,904,734	1,969,126
Total assets less current liabilities		**5,162,767**	4,769,696	4,590,484

The consolidated financial statements on pages 64 to 131 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

Norman Leung Nai Pang
Director

Mona Fong
Director

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
Turnover	5	**4,674,656**	3,983,332
Cost of sales		**(1,722,679)**	(1,780,942)
Gross profit		**2,951,977**	2,202,390
Other revenues	5	**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	13	**(140,000)**	–
Finance costs	24	**(3,781)**	(4,498)
Share of losses of:			
Jointly controlled entities		**(3,638)**	–
Associates		**(97,555)**	(64,971)
Profit before income tax	22	**1,811,521**	1,221,382
Income tax expense	25	**(479,478)**	(320,626)
Profit for the year		**1,332,043**	900,756
Profit attributable to:			
Equity holders of the Company	26	**1,329,891**	900,444
Non-controlling interests		**2,152**	312
		1,332,043	900,756
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	27	**HK$3.04**	HK$2.06
Dividends	28	**876,000**	700,800

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
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

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2009		21,900	696,886	4,889,514	5,608,300	25,613	5,633,913
Comprehensive income:							
Profit for the year		–	–	900,444	900,444	312	900,756
Other comprehensive income:							
Currency translation differences		–	7,347	–	7,347	80	7,427
Total comprehensive income		–	7,347	900,444	907,791	392	908,183
Transactions with owners:							
Transfer to legal reserve	17(a)	–	18,861	(18,861)	–	–	–
Increase in shareholdings		–	–	–	–	(71)	(71)
2008 final dividend paid		–	–	(613,200)	(613,200)	(700)	(613,900)
2009 interim dividend paid		–	–	(109,500)	(109,500)	–	(109,500)
Total transactions with owners		–	18,861	(741,561)	(722,700)	(771)	(723,471)
Balance at 31 December 2009		21,900	723,094	5,048,397	5,793,391	25,234	5,818,625
Balance at 1 January 2010		21,900	723,094	5,048,397	5,793,391	25,234	5,818,625
Comprehensive income:							
Profit for the year		–	–	1,329,891	1,329,891	2,152	1,332,043
Other comprehensive income:							
Currency translation differences		–	82,207	–	82,207	503	82,710
Total comprehensive income		–	82,207	1,329,891	1,412,098	2,655	1,414,753
Transactions with owners:							
Transfer to legal reserve	17(a)	–	12,968	(12,968)	–	–	–
2009 final dividend paid		–	–	(591,300)	(591,300)	(693)	(591,993)
2010 interim dividend paid		–	–	(153,300)	(153,300)	–	(153,300)
Total contributions by and distributions to owners		–	12,968	(757,568)	(744,600)	(693)	(745,293)
Changes in ownership interests in subsidiaries not resulting in a loss of control	32	–	(25)	–	(25)	(42)	(67)
Total transactions with owners		–	12,943	(757,568)	(744,625)	(735)	(745,360)
Balance at 31 December 2010		**21,900**	**818,244**	**5,620,720**	**6,460,864**	**27,154**	**6,488,018**

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	29	**2,017,015**	1,430,369
Interest paid		**(3,797)**	(4,598)
Hong Kong tax paid		**(154,803)**	(135,228)
Overseas taxation paid		**(86,758)**	(97,586)
Net cash generated from operating activities		**1,771,657**	1,192,957
Cash flows from investing activities			
Purchases of property, plant and equipment		**(168,647)**	(249,304)
Funds advanced to a jointly controlled entity		**(8,731)**	(7,500)
Increased investment in an associate		**–**	(212,745)
Increased investment in a non wholly-owned subsidiary		**–**	(120)
Increase in bank deposits maturing after three months		**(17,469)**	(63,757)
Proceeds from sales of property, plant and equipment		**661**	1,395
Interest received		**12,219**	11,284
Net cash used in investing activities		**(181,967)**	(520,747)
Cash flows from financing activities			
Repayments of long-term bank loans		**(73,042)**	(22,157)
Acquisition of additional shares from non-controlling interests		**(67)**	–
Decrease/(increase) in pledged bank deposits		**117**	(1,844)
Dividends paid to equity holders of the Company		**(744,600)**	(722,700)
Dividends paid to minority shareholders of a non wholly-owned subsidiary		**(693)**	(700)
Net cash used in financing activities		**(818,285)**	(747,401)
Net increase/(decrease) in cash and cash equivalents		**771,405**	(75,191)
Cash and cash equivalents at 1 January		**1,893,586**	1,963,094
Effect of foreign exchange rate changes		**14,160**	5,683
Cash and cash equivalents at 31 December		**2,679,151**	1,893,586

The notes on pages 72 to 131 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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 lease 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.

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

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

	Company		
	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Decrease in leasehold land	**198,837**	197,300	202,592
Increase in property, plant and equipment	**198,837**	197,300	202,592

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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.

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.

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

The following relevant standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

* HKAS 1	Presentation of financial statements
HKAS 12	Income taxes
HKAS 24 (revised)	Related party disclosures
* HKAS 27	Consolidated and separate financial statements
* HKAS 34	Interim financial reporting
* HKFRS 3	Business combinations
* HKFRS 7	Financial instruments: disclosures
HKFRS 9	Financial instruments

* represented the amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the aggregate fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

(c) Associates and jointly controlled entities

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

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

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

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture and fixtures and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance leases	Shorter of remaining lease term or useful life
Buildings	2.5% – 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Goodwill

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

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

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

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

2.8 Financial assets

Classification

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

(a) Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

Classification (continued)

(b) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.10 Programmes and film rights

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

(a) Programme cost

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

(b) Film rights

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

2.11 Stocks

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

2.12 Trade and other receivables

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

2.13 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade and other payables

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

2.16 Borrowing

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

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

2.17 Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) Pension obligations

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

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

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

The retirement schemes which cover employees located in overseas locations, except for Taiwan, are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

The employees located in Taiwan are members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan are entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme are being frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join as members of the defined contribution retirement scheme.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) Pension obligations (continued)

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

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

2.19 Provisions

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

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

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

2.20 Contingent liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition

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

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

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

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

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

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

2.22 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

(c) Finance leases (as lessee)

Leases of land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at lower of the fair value of the leased land and the present value of the minimum lease payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Related parties

A party is considered to be related to the Group if

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

(b) the party is a jointly controlled entity;

(c) the party is an associate;

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

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

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

2.24 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

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

	2010		2009	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Increase/ (decrease) in profit after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**5%**	**475**	1%	996
	(5%)	**(475)**	(1%)	(996)
Malaysian Ringgit	**10%**	**5,162**	5%	3,193
	(10%)	**(5,162)**	(5%)	(3,193)

(ii) Interest rate risk

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis has been conducted on the loans to associates, bank deposits and bank borrowing. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have been increased/(decreased) by HK$6,051,000 (2009: HK$6,005,000), HK$25,781,000 (2009: HK$18,817,000) and HK$1,923,000 (2009: HK$2,264,000) respectively.

(iii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

The Group's financial liabilities include trade payables, other payables and accruals. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and are paid upon counterparty's formal notification, of which should be within 12 months from the end of the reporting period. The repayment schedule of bank borrowing is set out in Note 19.

3. FINANCIAL RISK MANAGEMENT (continued)

Capital risk factors

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

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

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

The gearing ratios at 31 December 2010 and 2009 were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Total borrowing	**256,405**	301,808
Total equity	**6,488,018**	5,818,625
Gearing ratio	**4.0%**	5.2%

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value, are analysed by valuation method. The different levels have been defined as follows:

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

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

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

As at 31 December 2010, the fair value measurement of the Group's financial assets – available-for-sale financial assets is classified in level 3 (Note 11).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill (Note 7) in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Trade receivables

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

(c) Loans to and trade receivables from associates

The Group reviews its loans to and trade receivables from associates to assess impairment at least half yearly. The impairment losses of loans to and trade receivables from associates are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The Group's assumptions on the recoverability of the loans to and trade receivables from TVB Pay Vision Limited ("TVBPV"), are based on (i) the ability of TVBPV to successfully secure renewal of its domestic pay TV service licence on expiry in early 2013 for another term of 12 years, and (ii) the Group's commitment to continuously support the businesses of TVBPV for the long term. The Group believes that the impairment loss of HK$275,000,000 (2009: HK$135,000,000) against its trade receivables (Note 10) is adequate. If the financial conditions of TVBPV were to deteriorate, resulting in impairment as to their ability to make payments, additional impairment losses may be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Useful lives of property, plant and equipment

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

(e) Income taxes

As detailed in Note 25, the Inland Revenue Department of Hong Kong (IRD) had initiated a tax audit and issued protective profits tax assessment notices on the profits generated by the Group's programme licensing and distribution business carried out overseas. A total provision of HK$206,000,000 has been made at 31 December 2010 against those exposures. Due to the uncertainty inherent in a tax audit where the outcome of the tax audit is different from the amounts that provided, such differences would impact the income tax provisions in the year in which such determination is made.

(f) Deferred income tax assets

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

Other revenues comprise mainly interest income and others.

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

	2010 **HK$'000**	2009 HK$'000
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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

	Hong Kong terrestrial television broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas satellite pay TV operations HK$'000	Taiwan operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 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	**2,532,836**	**785,100**	**371,902**	**753,117**	**330,497**	**109,641**	**(208,437)**	**4,674,656**
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	**1,095,201**	**535,721**	**104,152**	**231,006**	**(56,652)**	**3,286**	**–**	**1,912,714**
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*	**59,105**	**2,573**	**2,771**	**15,809**	**2**	**88,387**	**–**	**168,647**
For the year ended 31 December 2009								
Turnover								
External customers	2,063,358	547,013	347,436	622,998	314,340	88,187	–	3,983,332
Inter-segment	8,344	120,592	365	6,873	14,638	9,222	(160,034)	–
Total	2,071,702	667,605	347,801	629,871	328,978	97,409	(160,034)	3,983,332
Reportable segment profit	564,718	394,444	75,165	153,830	94,494	3,702	–	1,286,353
Interest income	8,465	2,217	215	529	–	239	–	11,665
Finance costs	–	–	–	(4,498)	–	–	–	(4,498)
Depreciation	(231,559)	(4,864)	(5,604)	(36,584)	(174)	(4,390)	–	(283,175)
Additions to non-current assets*	131,292	370	2,282	133,844	2	16,745	–	284,535

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

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

	2010 HK$'000	2009 HK$'000
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)
Profit before income tax	**1,811,521**	1,221,382

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 HK$'000	2009 HK$'000
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
	4,674,656	3,983,332

6 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2009 (as previously reported)	1,685,121	72,866	2,058,220	638,271	43,981	4,498,459
Effect of adoption of HKAS 17 (Amendment)	235,773	–	–	–	–	235,773
At 1 January 2009 (as restated)	1,920,894	72,866	2,058,220	638,271	43,981	4,734,232
Exchange differences	15,185	33	11,155	2,810	469	29,652
Additions	59,837	303	140,112	83,634	600	284,486
Disposals	(7,208)	(55,073)	(50,067)	(20,593)	(692)	(133,633)
At 31 December 2009 (as restated)	1,988,708	18,129	2,159,420	704,122	44,358	4,914,737
At 1 January 2010 (as previously reported)	1,752,935	18,129	2,159,420	704,122	44,358	4,678,964
Effect of adoption of HKAS 17 (Amendment)	235,773	–	–	–	–	235,773
At 1 January 2010 (as restated)	1,988,708	18,129	2,159,420	704,122	44,358	4,914,737
Exchange differences	89,426	491	44,843	3,623	1,324	139,707
Additions	10,777	8,687	38,327	35,052	1,292	94,135
Disposals	(10,929)	–	(41,805)	(3,407)	–	(56,141)
At 31 December 2010	**2,077,982**	**27,307**	**2,200,785**	**739,390**	**46,974**	**5,092,438**
Accumulated depreciation and impairment						
At 1 January 2009 (as previously reported)	249,448	68,591	1,491,020	326,124	40,404	2,175,587
Effect of adoption of HKAS 17 (Amendment)	26,851	–	–	–	–	26,851
At 1 January 2009 (as restated)	276,299	68,591	1,491,020	326,124	40,404	2,202,438
Exchange differences	765	(368)	8,988	2,239	339	11,963
Charge for the year	54,920	1,436	180,758	44,834	1,227	283,175
Written back on disposals	(6,923)	(54,805)	(49,200)	(20,306)	(692)	(131,926)
At 31 December 2009 (as restated)	325,061	14,854	1,631,566	352,891	41,278	2,365,650
At 1 January 2010 (as previously reported)	292,754	14,854	1,631,566	352,891	41,278	2,333,343
Effect of adoption of HKAS 17 (Amendment)	32,307	–	–	–	–	32,307
At 1 January 2010 (as restated)	325,061	14,854	1,631,566	352,891	41,278	2,365,650
Exchange differences	4,717	246	35,979	2,533	1,076	44,551
Charge for the year	57,968	3,880	134,875	49,976	1,152	247,851
Written back on disposals	(10,929)	–	(40,569)	(3,151)	–	(54,649)
At 31 December 2010	**376,817**	**18,980**	**1,761,851**	**402,249**	**43,506**	**2,603,403**
Net book value						
At 31 December 2010	**1,701,165**	**8,327**	**438,934**	**337,141**	**3,468**	**2,489,035**
At 31 December 2009 (as restated)	1,663,647	3,275	527,854	351,231	3,080	2,549,087

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

Notes:

(i) Property, plant and equipment includes freehold land outside Hong Kong at cost of HK$385,227,000 (2009: HK$347,250,000).

(ii) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$6,265,000 (2009: HK$76,041,000) as they were not ready in use at the year end.

(iii) At 31 December 2010, land and buildings with net book value of HK$846,531,000 (2009: HK$773,190,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

(iv) At 31 December, leasehold land held under finance leases and their net book value is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**198,837**	197,300
Leases of over 50 years	**6,001**	6,166
	204,838	203,466

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2009 (as previously reported)	920,638	3,747	1,539,563	548,297	32,693	3,044,938
Effect of adoption of HKAS 17 (Amendment)	229,278	–	–	–	–	229,278
At 1 January 2009 (as restated)	1,149,916	3,747	1,539,563	548,297	32,693	3,274,216
Additions	–	–	70,009	60,810	473	131,292
Transferred to subsidiaries	–	–	(91)	(4)	–	(95)
Disposals	–	–	(7,342)	(5,206)	(692)	(13,240)
At 31 December 2009 (as restated)	1,149,916	3,747	1,602,139	603,897	32,474	3,392,173
At 1 January 2010 (as previously reported)	920,638	3,747	1,602,139	603,897	32,474	3,162,895
Effect of adoption of HKAS 17 (Amendment)	229,278	–	–	–	–	229,278
At 1 January 2010 (as restated)	1,149,916	3,747	1,602,139	603,897	32,474	3,392,173
Additions	6,844	2,287	25,707	23,667	600	59,105
Transferred from subsidiaries	–	–	–	113	–	113
Disposals	–	–	(30,303)	(1,658)	–	(31,961)
At 31 December 2010	**1,156,760**	**6,034**	**1,597,543**	**626,019**	**33,074**	**3,419,430**
Accumulated depreciation						
At 1 January 2009 (as previously reported)	211,747	3,747	1,029,219	255,407	32,052	1,532,172
Effect of adoption of HKAS 17 (Amendment)	26,686	–	–	–	–	26,686
At 1 January 2009 (as restated)	238,433	3,747	1,029,219	255,407	32,052	1,558,858
Charge for the year	42,117	–	152,567	36,527	347	231,558
Transferred to subsidiaries	–	–	(91)	(3)	–	(94)
Written back on disposals	–	–	(6,702)	(5,085)	(692)	(12,479)
At 31 December 2009 (as restated)	280,550	3,747	1,174,993	286,846	31,707	1,777,843
At 1 January 2010 (as previously reported)	248,572	3,747	1,174,993	286,846	31,707	1,745,865
Effect of adoption of HKAS 17 (Amendment)	31,978	–	–	–	–	31,978
At 1 January 2010 (as restated)	280,550	3,747	1,174,993	286,846	31,707	1,777,843
Charge for the year	42,133	699	106,999	38,070	325	188,226
Transferred from subsidiaries	–	–	–	36	–	36
Written back on disposals	–	–	(29,365)	(1,542)	–	(30,907)
At 31 December 2010	**322,683**	**4,446**	**1,252,627**	**323,410**	**32,032**	**1,935,198**
Net book value						
At 31 December 2010	**834,077**	**1,588**	**344,916**	**302,609**	**1,042**	**1,484,232**
At 31 December 2009 (as restated)	869,366	–	427,146	317,051	767	1,614,330

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company (continued)

Notes:

(i) No depreciation is provided for studio, broadcasting and transmitting equipment with cost of HK$6,265,000 (2009: HK$76,041,000) as they were not ready in use at the year end.

(ii) At 31 December, leasehold land held under finance leases and their net book value is analysed as follows:

	2010 **HK$'000**	2009 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**198,837**	197,300

7 GOODWILL

	Group **HK$'000**
At 1 January 2009	
Cost	167,039
Accumulated impairment	(5,894)
Net book amount	161,145
Year ended 31 December 2009	
Opening net book amount	161,145
Additions	49
Exchange differences	2,054
Closing net book amount	163,248
At 31 December 2009	
Cost	169,142
Accumulated impairment	(5,894)
Net book amount	163,248
Year ended 31 December 2010	
Opening net book amount	163,248
Exchange differences	12,592
Closing net book amount	**175,840**
At 31 December 2010	
Cost	181,734
Accumulated impairment	(5,894)
Net book amount	**175,840**

7 GOODWILL (continued)

Impairment tests for goodwill

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

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

	2010			2009		
	Overseas satellite pay TV operations HK$'000	**Taiwan operations HK$'000**	**Total HK$'000**	Overseas satellite pay TV operations HK$'000	Taiwan operations HK$'000	Total HK$'000
Europe	**49,448**	**–**	**49,448**	49,448	–	49,448
Taiwan	**–**	**126,392**	**126,392**	–	113,800	113,800
	49,448	**126,392**	**175,840**	49,448	113,800	163,248

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

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

	Overseas satellite pay TV operations	**Taiwan operations**
	Europe	**Taiwan**
Gross margin	**45%**	**46%**
Growth rate	**4%**	**4%**
Discount rate	**10%**	**10%**

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

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

8 INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**11,135**	11,135
Amounts due from subsidiaries (note)	**685,608**	510,403
	696,743	521,538

Note:

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

Details of the principal subsidiaries at 31 December 2010 are listed in Note 36.

9 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Funds advanced (note)	**16,231**	7,500	**16,231**	7,500
Less: Accumulated share of losses	**(3,638)**	–	**–**	–
	12,593	7,500	**16,231**	7,500

Note:

The Group has injected totally HK$16,231,000 to the jointly controlled entities for movie production.

At 31 December 2010, the carrying amount of the advances approximated their fair values.

Details of the jointly controlled entities are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of interest in ownership
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK$1 each	50%
# Wealth Founder Limited	Hong Kong	Production of motion picture	Ordinary shares of HK$1 each	33.5%

a jointly controlled entity held indirectly by the Group

9 INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Summary of the Group's share of financial information on jointly controlled entities are as follows:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Loss for the year HK$'000
2010	**19,434**	**23,072**	**(3,638)**	**26,203**	**(3,638)**

10 INTERESTS IN ASSOCIATES

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Investment costs	**528,872**	528,872	**–**	–
Less: Accumulated share of losses	**(672,191)**	(574,636)	**–**	–
	(143,319)	(45,764)	**–**	–
Loan to associate (note (a))	**719,212**	719,212	**719,212**	719,212
Interest receivables from associate	**5,497**	2,382	**5,497**	2,382
	581,390	675,830	**724,709**	721,594
Less: Provision for impairment loss	**–**	–	**(143,319)**	–
	581,390	675,830	**581,390**	721,594
Unlisted shares, at cost	**528,872**	528,872	**–**	–

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 13.

(c) The Group periodically reviews loan to (note(a)) and trade receivables (Note 13) 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 13).

10 INTERESTS IN ASSOCIATES (continued)

Details of the associates are listed below:

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

an associate held indirectly by the Group

* the Company's voting interest remained at 15% as at 31 December 2010

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

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Loss for the year HK$'000
2010	**160,886**	**678,867**	**(517,981)**	**158,028**	**(97,555)**
2009	157,022	577,448	(420,426)	90,769	(64,971)

The fair value of loan to associate equals its carrying amount, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25%.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
Beginning and end of the year	**3**	3
Available-for-sale financial assets include the following: Unlisted equity securities – Canada	**3**	3

12 STOCKS

At 31 December 2010 and 2009, all stocks are stated at lower of cost and net realisable value.

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current portion				
Prepayment related to capital expenditure (note (a))	**74,512**	–	**–**	–
Current portion				
Receivables from:				
Jointly controlled entities (Note 34(c))	**3,447**	939	**3,447**	939
Associates (Note 34(c))	**355,201**	187,614	**352,816**	185,082
Related parties (Note 34(c))	**65,383**	69,251	**–**	683
Trade receivables (note (b))	**1,011,040**	860,238	**639,867**	564,132
	1,435,071	1,118,042	**996,130**	750,836
Less: Provision for impairment loss on receivables from:				
Associates (Note 4(c))	**(276,609)**	(136,668)	**(275,000)**	(135,000)
Third parties	**(95,998)**	(106,625)	**(30,029)**	(30,270)
Other receivables, prepayments and deposits	**172,974**	125,817	**138,574**	93,849
Tax reserve certificates (Note 25)	**205,958**	152,149	**–**	–
	1,441,396	1,152,715	**829,675**	679,415
Total	**1,515,908**	1,152,715	**829,675**	679,415

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.

13 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:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**498,449**	429,077	**231,862**	225,877
1-2 months	**258,614**	202,915	**211,019**	167,103
2-3 months	**169,313**	132,257	**141,576**	110,127
3-4 months	**102,970**	103,082	**80,830**	81,122
4-5 months	**43,173**	39,067	**40,847**	36,721
Over 5 months	**362,552**	211,639	**289,996**	129,886
	1,435,071	1,118,037	**996,130**	750,836
Trade receivables due from:				
Third parties	**1,011,040**	860,238	**639,867**	564,132
Jointly controlled entities, associates and related parties	**424,031**	257,799	**356,263**	186,704
	1,435,071	1,118,037	**996,130**	750,836
Non-trading amounts due from associates	**–**	5	**–**	–
	1,435,071	1,118,042	**996,130**	750,836

As at 31 December 2010, the aging analysis of the trade receivables not determined to be impaired is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Up to 5 months	**1,040,196**	847,740	**676,197**	564,092
Over 5 months to 1 year	**20,141**	26,476	**14,438**	21,474
Over 1 year	**2,127**	528	**466**	–
	1,062,464	874,744	**691,101**	585,566
Less: Amounts not yet due	**(662,557)**	(538,594)	**(354,636)**	(311,888)
Amounts past due	**399,907**	336,150	**336,465**	273,678

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

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

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

	Group 2010 %	Group 2009 %
Hong Kong dollars	**72**	74
US dollars	**9**	6
New Taiwan dollars	**12**	11
Malaysian Ringgit	**5**	6
Other currencies	**2**	3
	100	100

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

	Group 2010 HK$'000	Group 2009 HK$'000
At 1 January	**243,293**	233,263
Provision for impairment loss		
– Associates	**140,000**	–
– Third parties	**5,067**	14,473
Reversal of provision for impairment	**(16,815)**	(4,645)
Receivables written off as uncollectible	**(302)**	(726)
Exchange differences	**1,364**	928
	372,607	243,293

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

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

14 PLEDGED BANK DEPOSITS

At 31 December 2010, the Group had pledged bank deposits of HK$6,885,000 (2009: HK$7,002,000) to secure banking and credit facilities granted to subsidiaries of the Group. The carrying amounts of bank deposits approximate their fair values.

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand (note)	**285,504**	192,057	**9,544**	22,435
Short-term bank deposits (note)	**2,393,647**	1,701,529	**1,827,391**	1,325,556
	2,679,151	1,893,586	**1,836,935**	1,347,991

Note:

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

Majority of the balance are denominated in Hong Kong dollars and US dollars.

16 SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	**Nominal value HK$'000**
Authorised:		
At 1 January 2009 and 2010 and 31 December 2010	**1,300,000,000**	**65,000**
Issued and fully paid:		
At 1 January 2009 and 2010 and 31 December 2010	**438,000,000**	**21,900**

17 OTHER RESERVES

(a) Group

	Share premium HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2009	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Currency translation differences:							
– Group	–	–	–	–	–	7,347	7,347
Transfer from retained earnings	–	–	–	18,861	–	–	18,861
Balance at 31 December 2009	602,026	70,000	864	82,298	40,118	(72,212)	723,094
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
Balance at 31 December 2010	**602,026**	**70,000**	**839**	**95,266**	**40,118**	**9,995**	**818,244**

Capital reserve – in accordance with the local laws and regulations of a subsidiary, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve which can only be used to cover operating losses; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

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

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

17 OTHER RESERVES (continued)

(b) Company

	Share premium HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000	Total HK$'000
Balance at 1 January 2009 and 2010 and 31 December 2010	**602,026**	**70,000**	**40,118**	**712,144**

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

Distributable reserves, which include retained earnings and general reserve, of the Company at 31 December 2010, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$4,421,823,000 (2009: HK$4,017,192,000).

18 TRADE AND OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade payables to:				
Associates (Note 34(c))	**960**	2,395	**–**	–
Related parties (Note 34(c))	**7,432**	5,314	**–**	4,501
Third parties	**73,379**	72,091	**31,177**	38,715
	81,771	79,800	**31,177**	43,216
Amount due to subsidiaries	**–**	–	**200,955**	139,039
Other payables and accruals	**676,129**	560,353	**279,113**	299,975
	757,900	640,153	**511,245**	482,230

18 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:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**47,665**	49,672	**23,836**	29,514
1-2 months	**24,381**	19,195	**5,257**	8,137
2-3 months	**3,582**	6,433	**877**	2,984
3-4 months	**1,043**	690	**519**	351
4-5 months	**985**	2,198	**483**	2,164
Over 5 months	**4,115**	1,612	**205**	66
	81,771	79,800	**31,177**	43,216

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

19 BORROWING

	Group	
	2010	2009
	HK$'000	HK$'000
Bank borrowing:		
Non-current	**231,107**	279,030
Current	**25,298**	22,778
Total bank borrowing	**256,405**	301,808

Movements in bank borrowing is analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Opening balance as at 1 January	**301,808**	318,724
Repayments	**(73,042)**	(22,157)
Exchange differences	**27,639**	5,241
Closing balance as at 31 December	**256,405**	301,808

19 BORROWING (continued)

At 31 December 2010, the Group's bank borrowing was repayable as follows:

	2010 HK$'000	2009 HK$'000
Within 1 year	**25,298**	22,778
Between 1 and 2 years	**25,299**	22,778
Between 2 and 5 years	**75,895**	68,334
Wholly repayable within 5 years	**126,492**	113,890
Over 5 years	**129,913**	187,918
	256,405	301,808

Bank borrowing is secured by land and buildings with net book value of HK$736,207,000 (2009: HK$673,225,000). The effective interest rate at the end of the reporting period was 1.52% (2009: 1.40%).

The carrying amount of the Group's borrowing is denominated in New Taiwan dollars. The fair value of current borrowing equals its carrying amount, as the impact of discounting is not significant. The fair value is based on cash flow discounted using a rate based on the borrowing rate of 1.51% (2009: 1.39%).

20 DEFERRED INCOME TAX

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Net deferred income tax assets recognised on the statement of financial position	**(33,454)**	(17,995)	**–**	–
Net deferred income tax liabilities recognised on the statement of financial position	**174,112**	111,713	**76,900**	88,460
	140,658	93,718	**76,900**	88,460

20 DEFERRED INCOME TAX (continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**93,718**	107,469	**88,460**	100,536
Exchange differences	**(1,581)**	(116)	**–**	–
Recognised in the income statement (Note 25)	**48,521**	(13,635)	**(11,560)**	(12,076)
At 31 December	**140,658**	93,718	**76,900**	88,460

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2010, the Group has unrecognised tax losses of HK$148,115,000 (2009: HK$418,857,000) to carry forward against future taxable income. These tax losses do not have expiry date.

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

(a) Group

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**94,534**	106,253	**22,926**	24,051	**117,460**	130,304
Recognised in the income statement	**(11,943)**	(11,635)	**74,755**	(1,130)	**62,812**	(12,765)
Exchange differences	**(4)**	(84)	**36**	5	**32**	(79)
At 31 December	**82,587**	94,534	**97,717**	22,926	**180,304**	117,460

Deferred income tax assets

	Tax losses		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,160**	56	**20,582**	22,779	**23,742**	22,835
Recognised in the income statement	**13,940**	3,104	**351**	(2,234)	**14,291**	870
Exchange differences	**1,437**	–	**176**	37	**1,613**	37
At 31 December	**18,537**	3,160	**21,109**	20,582	**39,646**	23,742

20 DEFERRED INCOME TAX (continued)

(b) Company

Deferred income tax liabilities

	Accelerated tax depreciation		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**93,126**	105,086	**1,109**	1,225	**94,235**	106,311
Recognised in the income statement	**(11,581)**	(11,960)	**21**	(116)	**(11,560)**	(12,076)
At 31 December	**81,545**	93,126	**1,130**	1,109	**82,675**	94,235

Deferred income tax assets

	Others		Total	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**5,775**	5,775	**5,775**	5,775
Recognised in the income statement	**–**	–	**–**	–
At 31 December	**5,775**	5,775	**5,775**	5,775

21 RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2010	2009
	HK$'000	HK$'000
Obligations on:		
Pensions – defined contribution plans (note (a))	**7,028**	6,881
Pensions – defined benefit plans (note (b))	**5,847**	6,706
	12,875	13,587

21 RETIREMENT BENEFIT OBLIGATIONS (continued)

Notes:

(a) Pensions – defined contribution plans

Forfeited contributions totaling HK$264,000 (2009: HK$322,000) were utilised during the year.

Contributions totaling HK$7,028,000 (2009: HK$6,881,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefit plans

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

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the Group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation was carried out as of 31 December 2010 by ClientView Management Consulting Co., Ltd..

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

	Group	
	2010	2009
	HK$'000	HK$'000
Present value of funded obligations	**101,697**	72,596
Fair value of plan assets	**(53,583)**	(43,526)
	48,114	29,070
Unrecognised actuarial losses	**(42,267)**	(22,364)
Liability in the statement of financial position	**5,847**	6,706

Expected contributions to defined benefit plans for the year ending 31 December 2011 are HK$4,468,000.

Plan assets comprise:

	Group			
	2010		2009	
	HK$'000	**%**	HK$'000	%
Bank deposits	**17,286**	**32**	18,398	42
Equity	**3,670**	**7**	4,157	10
Debt	**11,644**	**22**	7,482	17
Others	**20,983**	**39**	13,489	31
	53,583	**100**	43,526	100

21 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**72,596**	75,475
Current service cost	**597**	842
Interest cost	**1,680**	1,796
Actuarial losses/(gains)	**17,252**	(4,040)
Benefits paid	**–**	(105)
Curtailments/settlements	**–**	(2,644)
Exchange differences	**9,572**	1,272
At 31 December	**101,697**	72,596

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**43,526**	38,418
Expected return on plan assets	**939**	1,004
Actuarial losses	**(209)**	(740)
Employer contributions	**4,128**	4,122
Benefits paid	**–**	(105)
Exchange differences	**5,199**	827
At 31 December	**53,583**	43,526

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

	Group	
	2010	2009
	HK$'000	HK$'000
Current service cost	**597**	842
Interest cost	**1,680**	1,796
Expected return on plan assets	**(939)**	(1,004)
Net actuarial losses recognised	**1,306**	1,345
Gains on curtailments/settlements	**–**	(1,807)
Total, included in employee benefit expense (Note 23(b))	**2,644**	1,172

The actual return on plan assets was HK$730,000 (2009: HK$265,000).

21 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

The principal actuarial assumptions used were as follows:

	Group	
	2010	2009
	%	%
Discount rate	**2.25**	2.25
Expected rate of return on plan assets	**2.00**	2.00
Expected rate of future salary increases	**3.00**	2.00

Historical information:

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligation	**101,697**	72,596	75,475	63,334	52,534
Fair value of plan assets	**(53,583)**	(43,526)	(38,418)	(33,435)	(27,528)
Deficit	**48,114**	29,070	37,057	29,899	25,006
Experience adjustments on plan liabilities	**582**	558	4,533	1,355	1,627
Experience adjustments on plan assets	**225**	760	(336)	(56)	30

22 PROFIT BEFORE INCOME TAX

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

	2010	2009
	HK$'000	HK$'000
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 (Note 6)	**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) (Note 23(b))	**1,182,803**	1,148,430

23 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Executive Directors					
Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P.	**120**	**4,980**	**650**	**12**	**5,762**
Mona Fong	**120**	**2,550**	**–**	**–**	**2,670**
Mark Lee Po On (note)	**93**	**2,984**	**520**	**10**	**3,607**
Non-executive Directors					
Sir Run Run Shaw, G.B.M.	**500**	**–**	**–**	**–**	**500**
Edward Cheng Wai Sun, S.B.S., J.P.	**150**	**–**	**–**	**–**	**150**
Dr. Chow Yei Ching, G.B.S.	**120**	**–**	**–**	**–**	**120**
Chien Lee	**250**	**–**	**–**	**–**	**250**
Christina Lee Look Ngan Kwan	**195**	**–**	**–**	**–**	**195**
Kevin Lo Chung Ping	**285**	**–**	**–**	**–**	**285**
Gordon Siu Kwing Chue, G.B.S., J.P.	**290**	**–**	**–**	**–**	**290**
Vivien Chen Wai Wai	**138**	**–**	**–**	**–**	**138**
	2,261	**10,514**	**1,170**	**22**	**13,967**

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

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

Note:

The Director was appointed as an Executive Director with effect from 24 March 2010.

23 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(b) Employee benefit expense

	2010 HK$'000	2009 HK$'000
Wages and salaries	**1,107,524**	1,073,153
Pension costs – defined contribution plans	**72,635**	74,105
Pension costs – defined benefit plans	**2,644**	1,172
	1,182,803	1,148,430

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: one) Directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2009: four) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and allowances	**8,895**	13,307
Bonuses	**1,400**	1,300
Pension contributions	**889**	668
	11,184	15,275

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

Emolument bands	**Number of individuals in each band** 2010	2009
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	2
	3	4

24 FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loans – over five years	**3,781**	4,498

25 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.

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

	2010 **HK$'000**	2009 HK$'000
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 (note)	**104,000**	102,000
Deferred income tax:		
– Origination and reversal of temporary differences (Note 20)	**47,735**	(14,650)
– Effect of decrease in tax rate (Note 20)	**786**	1,015
	479,478	320,626

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 (totaling HK$205,958,000) for the six consecutive years of assessment from 1998/99 to 2003/04 respectively (see Note 13).

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.

25 INCOME TAX EXPENSE (continued)

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

	2010 HK$'000	2009 HK$'000
Profit before income tax	**1,811,521**	1,221,382
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**298,901**	201,528
Effect of different taxation rates in other countries	**(20,223)**	(5,467)
Tax effect of share of results of associates	**16,697**	10,720
Income not subject to taxation	**(2,451)**	(1,559)
Expenses not deductible for taxation purposes	**11,953**	2,152
Tax losses not recognised	**355**	942
Utilisation of previously unrecognised tax losses	**(21,320)**	(4,195)
Tax credit allowance	**(470)**	(571)
Withholding tax on undistributed profits	**97,628**	20,570
Allowance for previous non-deductible expenses	**(5,035)**	(5,248)
Re-measurement of deferred tax change in tax rate	**786**	1,015
Others	**287**	(308)
Over provisions in prior years	**(1,630)**	(953)
Provision for prior years	**104,000**	102,000
	479,478	320,626

26 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,149,230,000 (2009: HK$913,988,000).

27 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.

28 DIVIDENDS

	2010 HK$'000	2009 HK$'000
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	**722,700**	591,300
	876,000	700,800

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.

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2010 HK$'000	2009 HK$'000
Profit before income tax	**1,811,521**	1,221,382
Depreciation	**247,851**	283,175
Loss on disposal of property, plant and equipment	**831**	312
Share of losses of jointly controlled entities	**3,638**	–
Share of losses of associates	**97,555**	64,971
Interest income	**(17,037)**	(11,665)
Finance cost	**3,781**	4,498
Exchange differences	**(13,140)**	(12,874)
	2,135,000	1,549,799
Decrease in programmes, film rights and stocks	**52,089**	45,982
Increase in trade and other receivables, prepayments and deposits	**(286,978)**	(208,998)
Increase in trade and other payables and accruals	**117,763**	46,443
Decrease in retirement benefit obligations – defined benefit plans	**(859)**	(2,857)
Cash generated from operations	**2,017,015**	1,430,369

30 CONTINGENT LIABILITIES

The amounts of contingent liabilities are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for banking facilities granted to an investee company	**10,163**	9,559	**–**	–

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

31 COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**379,640**	375,319	**271,456**	283,556
Contracted but not provided for	**26,373**	14,218	**22,862**	12,770
	406,013	389,537	**294,318**	296,326

31 COMMITMENTS (continued)

(b) Operating lease commitments as lessee

At 31 December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**15,877**	8,199	**7,055**	2,506
– later than one year and not later than five years	**17,122**	7,943	**8,140**	1,660
– later than five years	**111**	613	**–**	–
	33,110	16,755	**15,195**	4,166
Equipment and transponders				
– not later than one year	**25,407**	11,156	**–**	–
– later than one year and not later than five years	**32,583**	198	**–**	–
	57,990	11,354	**–**	–
	91,100	28,109	**15,195**	4,166

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

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

The lease expenditure expensed in the income statement during the year is disclosed in Note 22.

31 COMMITMENTS (continued)

(c) Operating lease commitments as lessor

At 31 December 2010, the Group had contracted with tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
– not later than one year	**7,047**	7,047	**7,047**	7,047
– later than one year and not later than five years	**14,094**	21,141	**14,094**	21,141
	21,141	28,188	**21,141**	28,188

32 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 1 November 2010, the Group acquired an additional 0.06% of the issued shares of Interface Communication Co., Ltd. ("Interface") for a purchase consideration of HK$67,000. The carrying amount of the non-controlling interests in Interface on the date of acquisition was HK$4,939,000. The Group recognised a decrease in non-controlling interests of HK$42,000 and a decrease in equity attributable to owners of the parent of HK$25,000. The effect of changes in the ownership interest of Interface on the equity attributable to owners of the Group during the year is summarised as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount of non-controlling interests acquired	**42**	–
Consideration paid to non-controlling interests	**(67)**	–
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(25)**	–

33 TELEVISION BROADCASTING LICENCE

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

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	**2010 HK$'000**	2009 HK$'000
Sales of services:			
Jointly controlled entities			
Movie production charges	(i)	**3,510**	–
Movie production charges	(ii)	**1,025**	–
Advertising income	(i)	**1,322**	–
Advertising income	(ii)	**1,150**	–
Associates			
Programmes/channel licensing fee	(iii)	**204,863**	205,033
Channel package service fee	(iii)	**525**	1,200
Rental income and related charges	(iii)	**7,047**	7,225
Advertising income	(iii)	**3,864**	3,021
Others	(iii)	**3,152**	4,180
Other related parties			
Programmes/channel licensing fee	(iv)	**259,243**	189,889
Advertising agency/advertising consultancy fee	(iv)	**47,329**	50,113
Management fee	(iv)	**2,987**	32,460
Marketing and consultancy service fee	(iv)	**–**	8,357
Facilities service fee	(iv)	**–**	2,639
Advertising income	(v)	**–**	4,768
		536,017	508,885
Purchases of services:			
Jointly controlled entities			
Programmes licensing fee	(i)	**(1,200)**	–
Associates			
Playback and uplink service fee	(iii)	**(29,963)**	(29,908)
Others	(iii)	**(4,121)**	(5,294)
Other related parties			
Rental fee and related charges	(vi)	**(9,427)**	–
Technical service fee	(vi)	**(2,134)**	(4,267)
Programmes/channel licensing fee	(vii)	**(2,563)**	(2,170)
Cost over-run borne for management of Chinese sales team	(iv)	**(2,774)**	–
		(52,182)	(41,639)

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from/(paid to) Concept Legend Limited, a jointly controlled entity of the Company.

(ii) The fees were received from Wealth Founder Limited, a jointly controlled entity of Concept Legend Limited.

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

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

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

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

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

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

(b) Key management compensation

	2010 HK$'000	2009 HK$'000
Salaries and other short-term employee benefits	**20,590**	22,207

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	2010 HK$'000	2009 HK$'000
Receivables from jointly controlled entities	**3,447**	939
Receivables from associates (note)	**355,201**	187,614
Receivables from other related parties (note)	**65,383**	69,251
	424,031	257,804
Payables to associates	**960**	2,395
Payables to other related parties	**7,432**	5,314
	8,392	7,709

Note:

At 31 December 2010, a provision for impairment loss of trade receivables from associates of HK$276,609,000 (2009: HK$136,668,000) had been provided (Note 13).

No impairment loss was provided for receivables from other related parties at 31 December 2010 and 2009.

(d) Fund advanced/loans to related parties

	2010 HK$'000	2009 HK$'000
Fund advanced to jointly controlled entities		
Beginning of the year	**7,500**	–
Fund advanced	**8,731**	7,500
End of the year	**16,231**	7,500
Loan to associate		
Beginning of the year	**721,594**	569,212
Additional loan amount	**–**	150,000
Interest charged	**3,115**	2,382
End of the year	**724,709**	721,594

The loan carries interest at the rate of 1-month HIBOR plus 0.25%.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 29 March 2011.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
	CC Decoders Ltd.	United Kingdom, limited liability company	GBP2	–	100	–	Provider of decoder units and relating technical services
#	Condor Entertainment B.V.	The Netherlands, limited liability company	EUR18,400	–	100	–	Investment holding
	Countless Entertainment (Taiwan) Company Ltd.	Taiwan, limited liability company	NT$10,000,000	–	100	–	Investment holding and programme licensing
#	Extra Profit Holdings Limited	British Virgin Islands, limited liability company	HK$1	–	100	–	Investment holding
#	Fairwork Group Limited	British Virgin Islands, limited liability company	US$1,000	–	100	–	Investment holding
	Interface Communication Co., Ltd.	Taiwan, limited liability company	NT$199,800,000	–	92.70	–	Magazine publications
#	iTVB Limited	British Virgin Islands, limited liability company	HK$10,000	–	100	–	Investment holding
	Jade Multimedia International Limited	Bermuda, limited liability company	US$12,000	–	100	–	Animation investment, licensing and distribution
	Liann Yee Production Co., Ltd.	Taiwan, limited liability company	NT$880,000,000	–	100	–	Production of television programmes, channel operation and advertising
#	Peony Holding N.V.	Netherlands Antilles, limited liability company	US$100	US$6,000	100	–	Investment holding
	The Chinese Channel Limited	United Kingdom, limited liability company	GBP1,111	–	100	–	Provision of services for programme productions and channel operations
	The Chinese Channel Limited	Hong Kong, limited liability company	HK$4	–	100	–	Provision of services for channel operations

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid ordinary share capital	Issued and fully paid preference share capital	Percentage of equity capital held by the Group	Percentage of equity capital held by the Company	Principal activities
* The Chinese Channel (France) SAS	France, limited liability company	EUR600,000	–	100	–	Provision of satellite and subscription television programmes
# The Chinese Channel (Holdings) Limited	Cayman Islands, limited liability company	GBP89,640	–	100	–	Investment holding
TVB (Australia) Pty. Ltd.	Australia, limited liability company	A$5,500,000	–	100	–	Provision of satellite and subscription television programmes
TVB Facilities Limited	Hong Kong, limited liability company	HK$10,000	–	100	–	Provision of services for programme productions
* TVB Holdings (USA) Inc.	USA, limited liability company	US$6,010,000	–	100	–	Investment holding and programme licensing and distribution
TVB Macau Company Limited	Macau, limited liability company	MOP25,000	–	100	–	Provision of services for programme productions
TVB Publications Limited	Hong Kong, limited liability company	HK$20,000,000	–	73.68	–	Magazine publications
§ TVB Publishing Holding Limited	Hong Kong, limited liability company	HK$8,550,000	–	73.68	–	Investment holding
TVB Satellite Broadcasting Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of programming and channel services
* TVB Satellite Platform, Inc.	USA, limited liability company	US$3,000,000	–	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda, limited liability company	US$12,000	–	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV (HK) Limited	Hong Kong, limited liability company	HK$2	–	100	–	Provision of pay television programmes

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

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

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

The accounts of these subsidiaries are not audited.

§ On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares (with a par value of HK$0.10 per share) at HK$8.60 per share to its minority shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2010.


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收視率摘要

翡翠台

最高五大劇集 收視人數 Top 5 Dramas Audience Size

劇集 Drama	收視人數 Audience Size	收視點 TVRS	百分比 Share (%)
公主嫁到 Can't Buy Me Love	2,146,000	34	91
巾幗梟雄之義海豪情 No Regrets	2,107,000	33	90
談情說案 The Mysteries of Love	2,035,000	32	92
施公奇案II A Pillow Case of Mystery II	1,990,000	31	88
老友狗狗 A Watchdog's Tale	1,972,000	31	90

最高五大非戲劇節目 收視人數 Top 5 Non-Dramas Audience Size

節目 Programme	收視人數 Audience Size	收視點 TVRS	百分比 Share (%)
萬千星輝頒獎典禮2010 TV Awards Presentation 2010	2,435,000	38	94
萬千星輝賀台慶 TVB 43rd Anniversary Gala	2,251,000	35	94
國慶煙花匯演 China National Day Fireworks Display 2010	1,819,000	29	88
超級遊戲獎門人 Super Trio Game Master	1,739,000	27	86
圣加福祿壽 Fun with Liz and Gods	1,632,000	26	88

1 收視點為觀眾人數佔總電視人口之百分比。二零一零年之電視人口為6,374,000人，因此，1收視點即代表63,740名觀眾（電視人口之1%）。收視數據來源：CSM媒介研究。

2 收視百分比（%）乃於某一特定時間，某特定頻道收視相對基準頻道總收視的百分比。基準中文頻道為總體翡翠台（翡翠台與高清翡翠台），及亞洲電視有限公司的本港台。基準英文頻道為明珠台及亞洲電視有限公司的國際台。由二零零九年六月一日起，收視點[1]的測量包括模擬廣播及數碼廣播。

Ratings Highlights

最高十大節目 收視人數 Top 10 Programmes Audience Size

收視人數 Audience Size	收視點 TVRS	百分比 Share	節目 Programme	Copyright
605,000	9.5	94%	蜘蛛俠 3	Spider-Man, the Character™ & ©2007 Marvel Characters, Inc. Spider-Man 3, the Movie ©2007 Columbia Pictures Industries, Inc. All Rights Reserved.
586,000	9.2	94%	哈利波特火盃的考驗	© 2011 Warner Bros. Ent. Harry Potter Publishing Rights © J.K.R. Harry Potter characters, names and related indicia are trademarks of and © Warner Bros. Ent. All Rights Reserved.
581,000	9.1	95%	哈利波特鳳凰會的密令	© 2011 Warner Bros. Ent. Harry Potter Publishing Rights © J.K.R. Harry Potter characters, names and related indicia are trademarks of and © Warner Bros. Ent. All Rights Reserved.
527,000	8.3	90%	湊仔型警	© Walt Disney Pictures, Spyglass Entertainment, All Rights Reserved
503,000	7.9	92%	職業特工隊III	TM & © 2011 Paramount Pictures Corporation. All Rights Reserved
462,000	7.3	95%	金剛	© 2005 Universal Studios and MFPV FILM GmbH. All Rights Reserved. Artwork Copyright: © 2005 Universal Pictures. All Rights Reserved.
460,000	7.2	93%	虎膽龍威 4.0	Copyright© 2007 Twentieth Century Fox Film Corporation and Dune Entertainment LLC
460,000	7.2	92%	換命快遞 2	© 2005 Europa Corp. and TF1 Films Production.
458,000	7.2	91%	智能殺機	Copyright © 2005 Columbia Pictures Industries, Inc. All Rights Reserved.
458,000	7.2	91%	解開魔法陣終極篇	

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

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