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Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2008 ANNUAL RESULTS

- Group's turnover increased by 2%, from HK$4,326 million to HK$4,407 million.
- Cost of sales increased by 15%, from HK$1,764 million to HK$2,025 million.
- Share of losses of associates reduced from HK$125 million to HK$63 million.
- Profit attributable to equity holders decreased by 17%, from HK$1,264 million to HK$1,055 million.
- Final dividend was recommended at HK$1.40 per share (2007: HK$1.50 per share), making a total dividend of HK$1.70 per share (2007: HK$1.80 per share) for the year.
- Total equity increased by 5%, from HK$5,369 million to HK$5,634 million.

The Directors of Television Broadcasts Limited (the "Company" or "TVB") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	2	**4,407,304**	4,325,809
Cost of sales		**(2,025,045)**	(1,763,971)
Gross profit		**2,382,259**	2,561,838
Other revenues	2	**70,415**	103,960
Selling, distribution and transmission costs		**(507,396)**	(453,001)
General and administrative expenses		**(569,764)**	(569,801)
Other (losses)/gains, net		**(18,928)**	26,529
Gain on disposal of equity interests in an associate		**–**	140,000
Impairment loss on trade receivables from an associate		**–**	(135,000)
Finance costs	5	**(7,581)**	–
Share of losses of associates		**(63,174)**	(124,982)
Profit before income tax	4	**1,285,831**	1,549,543
Income tax expense	6	**(229,544)**	(284,322)
Profit for the year		**1,056,287**	1,265,221
Attributable to:			
Equity holders of the Company		**1,055,348**	1,263,684
Minority interest		**939**	1,537
		1,056,287	1,265,221
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	7	**HK$2.41**	HK$2.89
Dividends	8	**744,600**	788,400

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,322,872**	1,721,921
Leasehold land		**208,922**	185,775
Goodwill		**161,145**	163,034
Interests in associates	9	**375,674**	84,951
Available-for-sale financial assets		**3**	3
Loan to investee company		**–**	3,190
Deferred income tax assets		**16,925**	10,725
Prepayment	10	**35,182**	62,482
		3,120,723	2,232,081
Current assets			
Programmes and film rights		**412,219**	460,720
Stocks		**12,952**	9,482
Trade and other receivables, prepayments and deposits	10	**1,095,718**	1,405,703
Tax recoverable		**1,716**	443
Pledged bank deposits		**5,158**	1,692
Bank deposits maturing after three months		**130,422**	131,683
Cash and cash equivalents		**1,963,094**	2,008,895
		3,621,279	4,018,618
Total assets		**6,742,002**	6,250,699
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**21,900**	21,900
Other reserves		**696,886**	685,832
Retained earnings			
– Proposed final dividend	8	**613,200**	657,000
– Others		**4,276,314**	3,979,253
		5,608,300	5,343,985
Minority interest		**25,613**	24,765
Total equity		**5,633,913**	5,368,750
LIABILITIES			
Non-current liabilities			
Borrowings	11	**296,357**	–
Deferred income tax liabilities		**124,394**	126,112
Retirement benefit obligations		**9,563**	14,637
		430,314	140,749

CONSOLIDATED BALANCE SHEET *(continued)*
As at 31 December 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables and accruals	12	**593,810**	668,365
Current income tax liabilities		**61,598**	72,835
Borrowings	11	**22,367**	–
		677,775	741,200
Total liabilities		**1,108,089**	881,949
Total equity and liabilities		**6,742,002**	6,250,699
Net current assets		**2,943,504**	3,277,418
Total assets less current liabilities		**6,064,227**	5,509,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

Interpretation effective in 2008

The Group adopted the following interpretation, which is mandatory for financial year ended 31 December 2008 and is relevant to its operations.

HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The interpretation above does not have material financial impact to the Group on the consolidated financial statements for the year ended 31 December 2008.

2. Turnover and other revenues

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

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as 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 other rental income.

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

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Advertising income, net of agency deductions	**2,755,575**	2,691,325
Licensing income	**821,382**	824,692
Subscription income	**475,717**	454,497
Others	**402,012**	405,785
	4,454,686	4,376,299
Less: Withholding tax	**(47,382)**	(50,490)
	4,407,304	4,325,809
Other revenues		
Interest income	**56,868**	89,165
Others	**13,547**	14,795
	70,415	103,960
	4,477,719	4,429,769

3. Segment information

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

	2008						
	Terrestrial television broadcasting *HK$'000*	**Programme licensing and distribution** *HK$'000*	**Overseas satellite pay TV operations** *HK$'000*	**Channel operations** *HK$'000*	**Other activities** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Turnover							
External sales	**2,339,179**	**641,586**	**288,730**	**1,045,112**	**92,697**	**–**	**4,407,304**
Inter-segment sales	**6,939**	**131,188**	**431**	**19,918**	**14,029**	**(172,505)**	**–**
	2,346,118	**772,774**	**289,161**	**1,065,030**	**106,726**	**(172,505)**	**4,407,304**
Segment results (operating profit)	**639,630**	**387,638**	**47,817**	**261,437**	**20,064**	**–**	**1,356,586**
Finance costs							**(7,581)**
Share of losses of associates	**–**	**–**	**–**	**(63,174)**	**–**	**–**	**(63,174)**
Profit before income tax							**1,285,831**
Income tax expense							**(229,544)**
Profit for the year							**1,056,287**

Other segment items included in the income statement are as follows:

Depreciation	**231,135**	**6,687**	**4,642**	**33,898**	**2,115**		**278,477**
Amortisation of leasehold land	**4,989**	**–**	**–**	**–**	**165**		**5,154**

3. Segment information *(continued)*

	2007						
	Terrestrial television broadcasting *HK$'000*	Programme licensing and distribution *HK$'000*	Overseas satellite pay TV operations *HK$'000*	Channel operations *HK$'000*	Other activities *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Turnover							
External sales	2,365,857	635,499	280,752	947,777	95,924	–	4,325,809
Inter-segment sales	7,405	107,269	470	16,888	5,233	(137,265)	–
	2,373,262	742,768	281,222	964,665	101,157	(137,265)	4,325,809
Segment results excluding impairment loss	951,729	440,325	59,186	191,902	26,407	(24)	1,669,525
Impairment loss on trade receivables from an associate *(note (a))*	–	–	–	(135,000)	–	–	(135,000)
Segment results including impairment loss	951,729	440,325	59,186	56,902	26,407	(24)	1,534,525
Gain on disposal of equity interests in an associate *(note (b))*	–	–	–	140,000	–	–	140,000
Share of losses of associates	–	–	–	(124,982)	–	–	(124,982)
Profit before income tax							1,549,543
Income tax expense							(284,322)
Profit for the year							1,265,221

Other segment items included in the income statement are as follows:

Depreciation	201,318	6,627	6,447	32,941	1,281		248,614
Amortisation of leasehold land	4,568	–	–	–	–		4,568

Notes:

(a) In 2007, after reviewing the payment status and performance of an associate, management concluded that there was an impairment loss of HK$135,000,000 against the trade receivable from the associate in accordance with HKAS 39.

(b) In 2007, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company disposed 217,173,552 shares, representing 20% equity interests in TVB Pay Vision Holdings Limited to Gemstone Pacific Limited at a consideration of HK$140,000,000 in cash. The Group recorded a gain amounting to HK$140,000,000 upon completion of the transaction.

3. Segment information *(continued)*

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year ended 31 December 2008 are as follows:

	Terrestrial television broadcasting *HK$'000*	**Programme licensing and distribution** *HK$'000*	**Overseas satellite pay TV operations** *HK$'000*	**Channel operations** *HK$'000*	**Other activities** *HK$'000*	**Total** *HK$'000*
Segment assets	**4,050,146**	**244,477**	**125,631**	**1,348,803**	**169,124**	**5,938,181**
Interests in associates	**–**	**–**	**–**	**375,674**	**–**	**375,674**
Available-for-sale financial assets	**–**	**3**	**–**	**–**	**–**	**3**
Unallocated assets						**428,144**
Total assets						**6,742,002**
Segment liabilities	**306,445**	**78,541**	**53,673**	**146,183**	**18,531**	**603,373**
Unallocated liabilities						**504,716**
Total liabilities						**1,108,089**
Capital expenditure	**248,686**	**3,448**	**2,752**	**665,799**	**8,064**	**928,749**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year ended 31 December 2007 are as follows:

	Terrestrial television broadcasting *HK$'000*	Programme licensing and distribution *HK$'000*	Overseas satellite pay TV operations *HK$'000*	Channel operations *HK$'000*	Other activities *HK$'000*	Total *HK$'000*
Segment assets	4,201,460	319,896	151,616	891,658	151,139	5,715,769
Interests in associates	164,533	–	–	(79,582)	–	84,951
Available-for-sale financial assets	–	3	–	–	–	3
Loan to investee company	–	3,190	–	–	–	3,190
Unallocated assets						446,786
Total assets						6,250,699
Segment liabilities	388,601	67,681	70,549	137,703	18,468	683,002
Unallocated liabilities						198,947
Total liabilities						881,949
Capital expenditure	214,415	3,913	5,170	12,172	3,010	238,680

3. **Segment information** *(continued)*

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

	Turnover		**Segment results**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,660,971**	2,689,295	**718,349**	1,026,951
Taiwan	**734,588**	654,339	**188,737**	133,723
USA and Canada	**216,094**	212,721	**109,713**	120,702
Australia	**95,722**	88,442	**10,773**	9,545
Europe	**91,519**	100,694	**3,049**	26,003
Mainland China	**177,490**	183,786	**108,015**	121,741
Malaysia and Singapore	**399,686**	365,772	**205,176**	216,706
Other countries	**31,234**	30,760	**12,774**	14,154
	4,407,304	4,325,809	**1,356,586**	1,669,525
Impairment loss on trade receivables from an associate			**–**	(135,000)
			1,356,586	1,534,525
Gain on disposal of equity interests in an associate			**–**	140,000
Finance costs			**(7,581)**	–
Share of losses of associates			**(63,174)**	(124,982)
Profit before income tax			**1,285,831**	1,549,543

	Total assets		**Capital expenditure**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**4,375,490**	4,667,136	**258,140**	220,836
Taiwan	**1,200,929**	588,381	**665,487**	12,060
USA and Canada	**91,810**	144,344	**3,610**	713
Australia	**16,094**	20,980	**1,238**	4,398
Europe	**84,264**	106,409	**90**	393
Mainland China	**31,075**	40,102	**120**	98
Malaysia and Singapore	**123,850**	135,685	**–**	–
Other countries	**14,669**	12,732	**64**	182
	5,938,181	5,715,769	**928,749**	238,680
Interests in associates	**375,674**	84,951		
Available-for-sale financial assets	**3**	3		
Loan to investee company	**–**	3,190		
Unallocated assets	**428,144**	446,786		
	6,742,002	6,250,699		

4. Profit before income tax

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

	2008	2007
	HK$'000	*HK$'000*
Net exchange loss/(gain)	**18,928**	(26,529)
Loss on disposal of property, plant and equipment	**550**	738
Auditors' remuneration	**4,562**	4,221
Non-audit service fees (mainly tax services)	**1,796**	1,830
Cost of programmes, film rights and stocks	**1,416,471**	1,168,902
Depreciation	**278,477**	248,614
Amortisation of leasehold land	**5,154**	4,568
Operating leases		
– equipment and transponders	**38,049**	41,962
– land and buildings	**32,271**	29,719
Employee benefit expense (excluding directors' emoluments)	**1,275,338**	1,272,836

5. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**13**	–
– over five years	**7,568**	–
	7,581	–

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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:

	2008	2007
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong	**160,114**	211,266
– Overseas	**79,065**	58,716
– (Over)/under provisions in prior years	**(1,512)**	200
Deferred income tax:		
– Origination and reversal of temporary differences	**(1,851)**	14,140
– Effect of decrease in tax rate	**(6,272)**	–
	229,544	284,322

7. Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$1,055,348,000. (2007: HK$1,263,684,000) and 438,000,000 shares in issue throughout the years ended 31 December 2008 and 2007. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.30 (2007: HK$0.30) per ordinary share	**131,400**	131,400
Proposed final dividend of HK$1.40 (2007: HK$1.50) per ordinary share	**613,200**	657,000
	744,600	788,400

At a meeting held on 25 March 2009, the Directors recommended a final dividend of HK$1.40 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 2009.

9. Interests in associates

	2008	2007
	HK$'000	*HK$'000*
Investment costs	**316,127**	316,127
Less: Accumulated share of losses	**(509,665)**	(446,491)
	(193,538)	(130,364)
Loans to associates	**569,212**	207,224
Interest receivables from associates	**–**	8,091
	375,674	84,951
Unlisted shares, at cost	**316,127**	316,127

10. Trade and other receivables, prepayments and deposits

	2008	2007
	HK$'000	*HK$'000*
Non-current portion		
Prepayment related to capital expenditure	**35,182**	62,482
Current portion		
Receivables from:		
Associates	**188,353**	349,499
Related parties	**66,464**	76,926
Trade receivables *(note)*	**836,804**	984,066
	1,091,621	1,410,491
Less: Provision for impairment loss of receivables from:		
Associates	**(136,796)**	(136,808)
Third parties	**(96,467)**	(75,308)
Other receivables, prepayments and deposits	**134,576**	139,572
Tax reserve certificates	**102,784**	67,756
	1,095,718	1,405,703
Total	**1,130,900**	1,468,185

Note:

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

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

At 31 December 2008 and 2007, the aging analysis of the trade receivables including trading balances due from associates and related parties is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**386,940**	480,843
1-2 months	**230,587**	274,129
2-3 months	**138,495**	165,614
3-4 months	**94,358**	88,481
4-5 months	**56,119**	49,148
Over 5 months	**184,952**	351,875
	1,091,451	1,410,090
Trade receivables due from:		
Third parties	**836,804**	984,066
Associates and related parties	**254,647**	426,024
	1,091,451	1,410,090
Non-trading amounts due from related parties	**170**	401
	1,091,621	1,410,491

11. Borrowings

	2008	2007
	HK$'000	*HK$'000*
Bank borrowings:		
Non-current	**296,357**	–
Current	**22,367**	–
Total bank borrowings	**318,724**	–

12. Trade and other payables and accruals

	2008	2007
	HK$'000	*HK$'000*
Trade payables to:		
Associates	**1,633**	4,627
Related parties	**339**	2,881
Third parties	**84,364**	140,466
	86,336	147,974
Other payables and accruals	**507,474**	520,391
	593,810	668,365

At 31 December 2008 and 2007, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**51,951**	105,136
1-2 months	**25,606**	28,595
2-3 months	**6,005**	9,723
3-4 months	**758**	2,330
4-5 months	**237**	653
Over 5 months	**1,779**	1,537
	86,336	147,974

REVIEW OF OPERATIONS

OVERVIEW

For the year ended 31 December 2008, the Group achieved a turnover of HK$4,407 million (2007: HK$4,326 million), an increase of approximately 2% over 2007. Cost of sales amounted to HK$2,025 million (2007: HK$1,764 million), an increase of approximately 15% over 2007. As a result, gross profit for the year amounted to HK$2,382 million (2007: HK$2,562 million), a decrease of approximately 7% over 2007. The gross profit percentage was 54% (2007: 59%).

Included in the cost of sales was the costs of programmes, film rights and stocks which amounted to HK$1,416 million (2007: HK$1,169 million).

Selling, distribution and transmission costs amounted to HK$507 million (2007: HK$453 million), an increase of approximately 12% over 2007. General and administrative expenses amounted to HK$570 million, the same level as 2007.

The Group's equity interest in an associate, TVB Pay Vision Holdings Limited ("TVBPVH") had been reduced from 49% to 29% upon a disposal of shares in TVBPVH to Gemstone Pacific Limited in 2007. During the year, equity accounting of the results of the associate was based on 29%, reflecting our economic interest therein even though the Group's voting interest in TVBPVH has been lowered to 15%. For the year, the Group's share of the losses of TVBPVH was reduced to HK$63 million (2007: HK$125 million).

Profit before income tax for the year amounted to HK$1,286 million (2007: HK$1,550 million), a decrease of approximately 17% over 2007.

The Group's taxation charge amounted to HK$230 million (2007: HK$284 million), a decrease of approximately 19% over 2007.

Overall, the Group's profit attributable to equity holders for the year amounted to HK$1,055 million (2007: HK$1,264 million), a decrease of approximately 17% over 2007. Earnings per share was HK$2.41 (2007: HK$2.89).

SEGMENT RESULTS

Revenue under terrestrial TV broadcasting, which comprised predominantly advertising revenue on the Group's terrestrial TV channels decreased from HK$2,373 million to HK$2,346 million, representing a decrease of approximately 1%. Cost of programmes which comprised the costs of self-produced programmes, the amortised costs of acquired film rights and other cost of sales, increased from HK$877 million to HK$1,134 million, representing an increase of approximately 29%. The sharp increase in programme cost in 2008 was mainly attributable to the costs incurred for the new digital terrestrial channels and the non-recurring costs of coverage of the Beijing 2008 Olympic Games. As a result, this segment recorded a lower operating profit of HK$640 million (2007: HK$952 million), a decrease of approximately 33% over 2007.

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$743 million to HK$773 million, representing an increase of approximately 4%. Taking into account of direct and overhead costs which totalled HK$363 million (2007: HK$318 million) and an exchange loss of HK$22 million (2007: an exchange gain of HK$15 million), this segment contributed an operating profit of HK$388 million (2007: HK$440 million), a decrease of approximately 12% over 2007.

Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in the USA, Australia and Europe, showed an increase from HK$281 million to HK$289 million, representing an increase of approximately 3%. However, as the growth in costs outweighted the revenue increase, this segment recorded a lower operating profit of HK$48 million when compared with HK$59 million in 2007, representing a decrease of approximately 19%.

Revenue from channel operations which comprised revenue from TVBS, the Taiwan channel operation; TVB8 and Xing He, the satellite TV channel operations; and the supply of the eight channels to TVB Pay Vision Limited ("TVBPV"), increased from HK$965 million to HK$1,065 million, representing an increase of approximately 10%. The satisfactory growth in this segment was mainly contributed by the growth in advertising income from TVBS. Operating costs for this segment was kept under tight control. This segment contributed a combined operating profit of HK$261 million (2007: HK$192 million which excluded the impairment loss on trade receivables of HK$135 million), an increase of approximately 36% over 2007.

TERRESTRIAL TELEVISION BROADCASTING

HONG KONG ADVERTISING REVENUE

Year 2008 started on a high note, with a reasonable growth in advertising revenue in January on account of a generally optimistic advertiser sentiment leading up to Chinese New Year in early February. However, the post-Chinese New Year revenue was anemic. Revenue in the second quarter was boosted by the strong run up to the Beijing Olympics in June 2008, helping to offset the mixed performances earlier in April and May 2008. Growth for the first half of 2008 was 5% on a year-on-year basis.

The greatly increased market concerns on the global financial crisis had a substantial impact beginning in October 2008. Overall, advertising revenue derived from our terrestrial TV channels for the year declined by 1%, as a result of a sharp decline in advertising revenue in the last quarter of 2008, negating the growth in advertising revenue experienced in the first three quarters.

For the full year, the key advertising categories on our channels were skin care, fast food restaurants, credit cards, finance companies and supermarkets. Revenue growth had been fuelled by increased contributions from finance companies, fast food restaurants, consumer electrical goods, jewellery/watch retailers and movie promoters. We also reaped the fruits of business development in the categories of Olympics-related sports promotions, and event promotions, such as the airtime sale related to beauty pageants staged in Macau in the latter half of the year.

The most adversely affected advertising categories in the last quarter of 2008 were retail banks, local properties, skin care, hotels and credit cards.

TERRESTRIAL CHANNELS PERFORMANCE

TVB operates five free-to-air TV programme channels in Hong Kong: Jade, in Cantonese, and Pearl, in English (both simulcast in analogue and in digital terrestrial television ("DTT")); and three new DTT channels – the 24-hour high definition TV ("HDTV") channel HD Jade (launched on 31 December 2007), the young and trendy J2 (launched on 30 June 2008), and the 24-hour news channel iNews (launched on 1 January 2009).

Jade continued to be the most watched TV channel in Hong Kong. Jade achieved an overall weekday prime time[1] average audience share[2] of 85% (2007: 84%) among terrestrial Chinese channels, and Pearl, a weekly prime time[3] average of 75% (2007: 79%) among terrestrial English channels, during the year.

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1 *Jade's weekday prime time runs from 7 p.m. to 11 p.m.*

2 *Audience share (%) is the percentage of ratings of a particular channel over the total ratings of the base channels for a specific period of time. When calculating audience share for free-to-air terrestrial TV channels in Hong Kong, the base would be the combined TVRs[4] of terrestrial analogue Chinese channels or the combined TVRs of terrestrial analogue English channels. DTT channels have not been included in the current TV audience measurement/ratings system.*

3 *Pearl's weekly prime time runs from 7 p.m. to midnight.*

4 *TV Rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2008, the TV population is 6,294,000, and therefore, 1 TVR represents 62,940 viewers (1% of the TV population). Ratings data source: CSM Media Research.*

The Beijing 2008 Olympic Games

In telecasting the Beijing 2008 Olympic Games (the "Olympics") during the summer, TVB invested in an unprecedented scale in resources, facilities and manpower in Hong Kong's sports broadcasting history to cover this first-ever Olympic Games held in mainland China and in Hong Kong, which was the host city for the equestrian events.

The opening ceremony of the Olympics was broadcast live in high definition on HD Jade using state-of-the-art MPEG-4 compression and Dolby surround sound. HD Jade was subsequently transformed into a 24-hour Olympics channel. It was the first ever longest continuous high definition coverage of a major sporting event spanning 16 days from 8 to 24 August 2008.

The telecast of the Olympics also reflected the synergy and the complementary capability of the TVB channels. Jade, J2, and HD Jade provided a comprehensive coverage to encompass simultaneous live events and highlights to cater for different audience preferences. On 8 August 2008, through the TVB channels, close to 3 million viewers in Hong Kong's population, were transfixed by the awe-inspiring *Beijing 2008 Olympic Games – Opening Ceremony*. This programme became the year's top rated TV programme in Hong Kong. Over the 16-day Olympic period, Jade captured an average audience share of 77% for the live telecast of the events; and Pearl, an average audience share of 81%.

Drama Production

Jade's serial dramas, detective series, contemporary comedies and period epics continued to captivate, thrill and entertain millions of viewers. *Moonlight Resonance* broke the record of its 2007 "sister" drama production *Heart of Greed.* With almost the same cast and yet more intricately woven new storyline designed for episodic development, *Moonlight Resonance* became the top rated drama of 2008 and the highest rated drama series since 2005 in Hong Kong. The final episode, with a special lead-in programme *Moonlight Resonance Special*, concluded with an average of 35 TVRs[4] and attracted 3.1 million viewers (50 TVRs) at its climax. Two police dramas of different styles were also well-received. *D.I.E.* portrayed a police investigator cracking old unsolved cases with the aid of supernatural power and a group of off-beat colleagues. *Forensic Heroes II* followed a group of forensic professionals in cracking suspense cases by discovering and tracing inexplicit clues. Among the comedies that delighted our audience, *Wars of in-Laws II*, depicting the clash of an elitist mother-in-law and an uncouth daughter-in-law, became a winning hit.

High Definition Production

TVB's production teams found innovative ways of creative expression in dramas and non-drama programmes selected to showcase HDTV. The star studded 80-episode mega-drama *The Gem of Life* not only brought audience a rich storyline featuring some of our top drama talents, it also showcased the pristine quality of HDTV exemplified via glamorous jewellery, vivid costumes and elegant settings. In another HD drama *The Master of Tai Chi*, the breathtaking landscape in Yunan and the lively demonstration of traditional Chinese martial arts further enhanced the drama's appeal.

HD Jade has been the driver channel for HDTV and digital terrestrial TV uptake in Hong Kong. In addition to drama production, documentary travelogue series *Last Paradise* produced in HD format captured the unspoilt landscapes of Tasmania, Australia and the Swiss Alps, and documentary series *The Art of Cantonese Opera* revealed the elegance and richness of traditional Cantonese opera in its finest details, showing off the colourful make-up of the singers and their elaborate hairstyle with intricate accessories.

Non-drama Production

Non-drama programmes on Sunday nights continued to have special appeal to our audience. A new season of *Super Trio* game show, TVB's long-running mega-hit format created since 1995, returned in *Super Trio Supreme* which became the highest rated non-drama series of the year in Hong Kong. On weekday nights, travelogue series *On the Road (Sr. 3)* took our audience to exotic Cuba and Mexico in Central America, and to Guizhou of mainland China. This series not only attained even better ratings than the previous two seasons, it also surpassed them in critical acclaim.

Renowned gourmet and food-critic Chua Lam hosted another food programme *Chua's Choice* which sampled delicacies in traditional and modern restaurants, covering Oriental to Western cuisines. Radio personality and chef "extraordinaire" Ah-So hosted a new cooking series *So Good* which brought to our audience ingenious skills of family recipes in her unique humorous and yet pertinent style.

In a new documentary/travelogue series dedicated to the station's 41st anniversary celebration, *Vanishing Glacier* investigated the global warming phenomenon through the eyes of our Arctic expedition team travelling through Greenland, Iceland and Norway. The series aroused audience's attention to the increasingly critical issue of environmental protection.

These popular non-drama programmes were released not only in DVD format in Hong Kong, but were also telecast via multiple satellite and cable broadcast platforms globally.

News Services

TVB continues to provide news services in Hong Kong through terrestrial and pay TV channels, and produce news magazine programmes and documentaries for Jade and Pearl. Our audience is able to witness and keep up-to-date with local and international events through on-the-scene reports. The Southern China snow storm, the Sichuan earthquake, the Tibet riot, the Beijing 2008 Olympic Games, and the presidential elections in Taiwan and the USA were among such memorable events during the year. In particular, TVB co-operated with China Central Television ("CCTV") during the Olympics to produce news programmes for CCTV4 and CCTV9 channels, enhancing our relationship with the national broadcaster subsequent to the co-production of the drama series *The Drive of Life* in 2007. TVB also cooperated with CCTV to co-anchor news reporting during the Shenzhou-7 mission, along with our sister channel TVBS-News from Taiwan. These comprehensive news services from Hong Kong, together with TVBS-News, were extended to the subscribers of our pay TV platforms overseas, strengthening our position as the leading platform of TV service for overseas Chinese.

Acquired Programmes

Movies were among the audience's favourite acquired programmes on Jade. They included some all time movie favourites such as *Justice, My Foot!, CJ 7* and *Kung Fu Hustle* starring Stephen Chow; *New Police Story* starring Jacky Chan; and *Fearless* starring Jet Li. Dubbed Hollywood movies such as *The Chronicles of Narnia: The Lion, The Witch and The Wardrobe* and *The Day After Tomorrow* were well-received.

Japanese detective drama *Galileo* achieved an average of 18 TVRs on Sunday nights on Jade. The special *Galileo Episode Zero* attracted young viewers and achieved an average of 22 TVRs. Korean drama *Couple or Trouble* which captured the interest of female viewers in particular, was the most successful acquired comedy on Jade.

TVB localised, by repackaging and dubbing into Cantonese, CCTV travelogue series *Rediscovering The Yangtze River* and BBC's *Planet Earth* which brought breathtaking natural beauty to our screens, and aroused awareness on environmental protection and ecological conservation. Furthermore, these acquired HD documentaries have enriched HD Jade's repertoire.

For the fourth consecutive year, Pearl achieved high ratings, capturing all of the top-rated 100 programmes on the English terrestrial channels in Hong Kong. Movies were among the viewers' favourites with weekend blockbusters capturing the top spots. Sci-fi movies – *Hellboy, I, Robot* and *AVP Alien Vs Predator*, were particularly well-received by viewers.

Drama series continued to be the major attractions on weekday nights. These included new seasons of *Heroes, Prison Break*, and new attractions such as *Bones* and *Pushing Daisies*.

Quality documentary programmes were among the viewers' favourites on Pearl. BBC's landmark HD production in collaboration with CTV, *Wild China* explored the rarely seen landscapes and natural life in mainland China. Sir David Attenborough's *Life in Cold Blood* gave a vivid account of the life and the ecology of reptiles, whilst *Earth The Power of the Planet* revealed the mighty natural forces that shaped our continents and oceans.

In early summer, the broadcast of *2008 Wimbledon Championships* brought excitement to Pearl watchers, as Chinese athlete Zheng Jie entered the quarter-final round for the first time.

DIGITISATION

Coverage of DTT in Hong Kong has been extended to over 75% of its population. Besides Temple Hill station, six additional transmitting stations have come on stream during the year.

Adoption of DTT in Hong Kong grew at a rapid pace in the lead up to the Olympics. Between July and September 2008, the percentage of households with digital TV set-top boxes grew from 9% to 17%.

"TV Bar", our first interactive TV service, was launched in August 2008 to provide access to weather information, real-time Hang Seng Index, headline news and Olympics medal tally, with a single press of a button on remote control consoles. "TV Bar" was subsequently enriched to further provide stock market and property market information.

24-hour news channel, iNews, was officially launched on 1 January 2009. At the same time, we also launched the "News Bar", which provides complementary weather and stock market information without overlaying the vital sections of the iNews screen. With all these services, DTT penetration stood at 32% of all households at the end of December 2008. Further developments in the DDT space include expanding our interactive TV services, technical improvements in digital picture quality and the inclusion of DTT in the audience measurement services.

COMMENDATIONS AND AWARDS

Our programmes and artistes continued to attain significant regional and international recognition during the year.

TVB programmes were honoured at the highly acclaimed New York Festivals 2009. *Last Paradise*, one of the station's first HD documentaries, won the Silver World Medal in Environment & Ecology category, and situation comedy *Best Selling Secrets* was awarded the Bronze World Medal in Situation Comedy category. Game show *Foodie 2 Shoes* and *Mr. Hong Kong Contest 2008* were finalists in Variety and Variety Special categories respectively. News and current affairs programme *The Pearl Report: Our Parents Are Prisoners* was a finalist in the Community Service Programs category; and *Taiwan Presidential Election* was a finalist in News Promotion category.

Documentary *News: Macau 5.1 Rally* was awarded the 2008 Regional Award for News Continuing Coverage in the 2008 RTNDA Edward R. Murrow Award. *Tuesday Report: Home Alone* was a highly recommended finalist in the ABU CASBAA UNICEF Child Rights Award 2008.

TVB artistes were honoured at various overseas award ceremonies during the year which included ASTRO's 2008 Wah Lai Toi Drama Awards, 2008 中國風尚大典, 7th Chin Chin Star Festival of CMB Media Corporation, Ltd. ("CMB") of Korea, and 2008 星光大典 of internet portal qq.com. Artiste Raymond Lam was honoured with the Best Drama Performance by an Actor in the Asian Television Awards 2008 for his role in *The Master of Tai Chi*. At the New York Festivals 2009, Lam was shortlisted as a finalist in the Best Drama Performance by an Actor for the same role, and artiste Gigi Lai became a finalist for the Best Drama Performance by an Actress for her role in *The Ultimate Crime Fighter*.

The creativity of our graphics and settings teams also received international acclaim. In the 2008 BDA World Gold Awards, the graphic design for *Mr. Hong Kong Contest 2007* won the Gold Award in the category of 2-D Press Kit. The setting design for *Journey to The Unknown* received the Bronze Award in the category of Set Design; while the setting design of *Miss Hong Kong Pageant 2007* took the Bronze Award in the category of One Time Set Only.

COMMUNITY AND PUBLIC SERVICE

During the year, TVB continued to serve the community and the public through annual charity appeals and community services. Through our programmes and our artistes' participation in community activities, special efforts were dedicated to motivating our audience to help the needy, to maintain a positive outlook, and to strive against adversity.

Within a week after the severe Sichuan earthquake in May 2008, TVB organised two fund-raising charity shows on Jade – a telethon *Operation Relief For Sichuan Earthquake 2008* and *Operation Relief For Sichuan Earthquake Special 2008* which were supported by artistes and prominent representatives of our community. These charity shows were telecast to audience in Hong Kong and overseas, and raised a total of HK$240 million.

TVB continued to support local and international charities through events such as the Community Chest's Walk for Millions, and in producing various fund raising programmes on our channel, such as the *Gala Spectacular 2008; Tung Wah Charity Show 2008; Po Leung Kuk Charity Show 2008; Community Chest Charity Show 2008; Yan Chai Charity Show 2008*; and charity appeal specials for Oxfam and World Vision.

A total of more than HK$460 million was raised during the year for various local and international charities through our programmes (2007: HK$168 million).

Besides cooperating with various civic and government departments/organisations to produce specials and informational programmes of public interest, TVB also initiated on and off-air social awareness programmes to draw public attention to social problems and issues, and to provide support and encouragement. TVB produced a special series *Poverty Campaign* and held a public forum in a local community to foster a better understanding and to heighten the awareness on problems faced by a segment of our community hard-hit by inflation and poverty.

To counter the adverse impact of the economic downturn, TVB initiated special projects to boost the community's morale. A station campaign titled "Power Up Hong Kong" was implemented in January 2009 to foster a positive outlook during this period.

INTERNATIONAL OPERATIONS

TVB's international operations achieved steady growth during the year, with revenue increasing in key markets like Taiwan, Malaysia, Singapore, Australia, the USA and Canada. The bottom line, however, was inevitably lowered by abnormal fluctuations in currency exchange rates in the second half of the year. Nevertheless, the licensing and subscription based businesses were less affected by the sharp business downturn caused by the financial tsunami.

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution rose 4% to HK$773 million during the year. We saw growth in revenue in most of our traditional telecast markets, including Singapore, Malaysia, the USA and Canada.

TVB remained committed to our strategy to diversify our distribution channels in order to sustain growth in the key markets. For example, we collaborated with StarHub Cable Vision ("StarHub") in Singapore to launch TVBS-News and TVB Entertainment News channels in addition to TVB's existing channels under its platform. This captured about 10,000 new subscribers. Such efforts helped overcome the precipitous decline in revenue from free TV operators as the competitors MediaCorp and Channel U merged into a single entity.

In addition, TVB continued to grow the new media licensing business through provision of contents to video-on-demand operators. Our cooperation with ASTRO All Asia Networks plc ("ASTRO") in Malaysia, StarHub in Singapore and Beijing Netmovie Co., Ltd. in mainland China in the provision of video-on-demand service generated steady and reliable income to the Group, as this fledgling business began to attract significant following. The wider coverage and variety in programme content helped enhance TVB's brand and artistes recognition, especially in markets less familiar with TVB products. As a result, previously less popular programmes such as situation comedy *Best Selling Secrets* and variety series *Beautiful Cooking* became well-received with good ratings. Revenue growth from increased distribution channels helped compensate for the declining homevideo licensing business.

The Group endeavoured to widen its reach in new markets. In South Korea, we partnered with cable operator CMB to launch TVB Korean Drama channel. Its home penetration reached 9 million by end of the year. In addition, the launch of a new TVB drama channel on the cable networks in Vietnam with a video operator is being contemplated.

We continued our strategy to strengthen TVB's brand positioning and enhance the popularity of our artistes in key markets. We organised marketing activities to promote dramas like *Heart of Greed* in Malaysia and co-produced the game show series *Super Trio Supreme* with ASTRO. These programmes and activities received good ratings and were critically acclaimed. In addition, the simulcast of a 24-hour Olympic channel with Cantonese commentary on ASTRO's channels demonstrated the synergy across local and overseas platforms.

In mainland China, a number of co-production programmes were completed with success. Leveraging on the popularity of the celebrity contest series *Strictly Come Dancing*, we co-produced the second series with Hunan Satellite TV again last year. The series was broadcast nationally on Hunan Satellite Channel and received good audience feedback. In December 2008, we collaborated with the Shanghai Government and the Shanghai Media Group in the production of *全球迎世博項目* which was broadcast nationally and to nearly all overseas Chinese communities around the globe.

OVERSEAS SATELLITE PAY TV OPERATIONS

TVB's satellite pay TV business in North America (the USA), Australia and Europe maintained steady growth. The total number of subscribers sustained single-digit percentage growth in the year. We also benefited by the strong growth from the new TVB Vietnam channel in the USA, which extended our reach and client base to the non-ethnic Chinese community. The single channel service of The Chinese Channel ("TCC") started to migrate to a more attractive five-channel platform. Both TCC and our subscribers are beginning to realise the benefits of the enhanced service, in spite of the increase in cost. TVB's Australian platform turned profitable in 2007 and continued to grow during 2008. Leveraging on the distinct advantage of our global presence, we reconfirmed our leadership position in the overseas Chinese community by telecasting live festive programmes, events specials, and real time news reports. For example, the fund raising charity shows held in Hong Kong such as *Operation Relief For Sichuan Earthquake Special 2008* and the live broadcast of the historic mission of Shenzhou-7 spacecraft, were made available to our overseas platforms via satellite.

In spite of the growth in revenue, profit derived from our satellite pay TV operations in 2008 was compromised by an exchange loss resulting from fluctuations in the currency exchange rates. Nevertheless, with our global presence and more current programme releases, our pay TV services will continue to appeal to overseas subscribers.

CHANNEL OPERATIONS

TVBS – Taiwan

As in the past few years, TVBS-News, the 24-hour news channel, continues to be the lead performer and ratings champion of the TVBS family. Events leading up to the Presidential election in March 2008 and the subsequent investigation into former President Chen Shui-Bian's alleged corruption generated consistently high audience ratings to both TVBS-News and TVBS (news and information related) channels. The Presidential election also generated significant advertising revenue from the political parties.

Our plan to move into the new headquarters and studio in Neihu district of Taipei is progressing well, which will help improve our production efficiency and capabilities in future years. Nevertheless, whilst we continue to make improvements in our programmes and remain confident in retaining audience interests and subscription revenue to our channels, the global economic crisis will inevitably slow down Taiwan's economy in general and advertising spending in particular. This will have a negative impact on TVBS' performance.

In light of the expected revenue decline, we have made appropriate cost reductions. At the same time, new revenue streams such as special projects with government are being explored.

TVB8 and Xing He

Satellite television channels TVB8 and Xing He accounted for a less significant part of our overseas operations. Revenue contribution from the key markets including Malaysia and Singapore was steady during the year. Coverage of TVB8 and Xing He was further expanded following the launch of TVB8 on our platform in the USA and the release of Xing He channel on Singapore's StarHub platform.

We will continue our strategy to reinforce the positioning of TVB8 and Xing He. We believe co-production opportunities with our partners in key markets will help improve our future revenue streams.

HONG KONG PAY TV BUSINESS

SUPPLY OF CHANNELS TO TVB PAY VISION LIMITED ("TVBPV")

TVB continued to supply eight Cantonese channels to TVBPV, the Group's pay TV platform in Hong Kong, complementing the bundle of channels on offer in its pay TV packages. These channels include six general entertainment channels – TVB Lifestyle, TVB Drama, TVB Kids, TVB Classic, TVB Entertainment News and TVBM, and two news channels – TVBN and TVBN2.

In its third successful year of broadcast, TVB Lifestyle's signature programme *Be My Guest* continued to interview many notable celebrity guests, including international acclaimed film director John Woo, and SARS fighter, Dr. Sydney Chung, and received favourable responses. TVB Lifestyle also launched a new talk show on modern women *A Ladies' Man* which is hosted by the humorous lyricist Andrew Lam.

TVB Classics' *Stardust Memories* featured packages starring Carina Lau and Tony Leung to coincide with their wedding in 2008. TVB Drama continued to garner hit Asian drama series, such as the record high rating Korean title *New Heart*, Taiwanese idol dramas *You're My Destiny, They Kiss Again* and *Hot Shot* for the drama fans.

TVB Kids produced a series of four specials – *TVB Children Festival 2008* to report on the events of *TVB Children Festival*. In addition to the daily entertainment news, TVB Entertainment News covered the full version of *45th Golden Horse Award Ceremony* in Taiwan.

Apart from regular mini concerts showcasing new local talents, TVBM live broadcast *Metro Radio Mandarin Music Awards 2008* in July 2008 and *Hit Awards 2008* in December 2008, and scheduled four *Michael Jackson Special* from August 2008 onwards to celebrate the star's 50th birthday.

INVESTMENT IN TVBPVH

TVB's equity interest in its associate, TVBPVH, the holding company of TVBPV, remained at 29% throughout the year, whilst its voting interest was reduced to 15% through a share restructuring in 2008. At 15% voting interest, TVB no longer exercises control of TVBPVH (within the meaning under the Broadcasting Ordinance (Cap. 562)). As reported in our 2008 interim report, the Broadcasting Authority issued a direction in May 2008 to TVB that certain firewall conditions under the domestic free TV programme service licence shall cease to have effect. This uplifting of the firewall would provide more flexibility to meet changing market needs.

The number of subscribers for this pay TV platform continued to improve, generating higher subscription revenue and advertising revenue from its channels. During the year, TVB's share of the net loss of TVBPVH at 29% was lowered to HK$63 million (2007: HK$125 million).

OTHER BUSINESSES

INTERNET OPERATIONS

Our internet portal, www.tvb.com, was re-launched in April 2008, with a new look and design to better serve our users. Contents of the internet portal have been expanded and re-organised along four major interest categories – Drama, Artistes, Electronic Programme Guide and My TV.

Drama takes advantage of the popularity of Jade's drama series by orchestrating related topics to increase community participation and stickiness. It contributed almost half of the total site traffic.

In addition, we have instigated a total of 128 artiste blogs to take advantage of viewers' eagerness to communicate with our artistes, for example, one artiste's blog alone has accumulated over 15 million visits in the last nine months.

To capitalise on the buzz of the Olympic Games, we launched a website within our internet portal, beijing2008.tvb.com, in August 2008 to provide programme schedules, scoreboard, athletes' information, forum, and Beijing travel information. This website attracted over three million visits and more than 20 advertising sponsors, and was ranked the top site among all of the internet portals in Hong Kong by an internet research company[5] in August 2008.

Our internet portal worked very closely with Pearl and J2. We re-launched portal, pearl.tvb.com, with a new design and experience to highlight its international and upscale image. By partnering with Disney, ABC International Television, we brought to our audience catch-up TV providing episodes of *Dirty Sexy Money, Brothers & Sisters, Desperate Housewives* and *Lost*. This site attracted a number of branded advertisers. A newly created site for J2, www.J2.hk, was also launched catering to the younger audience.

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5 *Source: hitwise.com – Real-Time Competitive Intelligence*

Worthy of special mention is the "My TV" offering which is a new service enabling users in Hong Kong to view TVB's recently broadcast non-drama programmes in their entirety. This service also provides enhanced information relating to the programmes via a sophisticated interactive video player. We are also partnering with all four mobile telephone network operators in Hong Kong to extend our services to users in the mobile world.

As a result, traffic at our internet portal has more than doubled in 2008, and further increases are projected for 2009. This traffic will be monetised by offering compelling integrated advertising solutions to advertisers combining the capabilities of our internet portal with that of our terrestrial and pay TV channels and our magazine TVB Weekly.

MAGAZINE PUBLISHING

In 2008, our magazine publication business continued to face keen competition in a fragmented market in Hong Kong. We continue to publish a weekly magazine TVB Weekly, now in a twin book format, covering news and events of our station and artistes, as well as featuring lifestyle topics. The magazine publication business encountered a single digit decline in advertising revenue during 2008. To meet this challenging competitive environment, we created more special events, such as TVB Weekly Brand Awards, and editorial supplements including TVB Beauty Queen, and exercised measures to better control printing costs.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2008, total equity stood at HK$5,634 million (2007: HK$5,369 million), an increase of approximately 5% over 2007. The share capital of the Company comprised 438,000,000 ordinary shares of HK$0.05 each. There had been no change to the capital structure during the year.

At the year end, the Group had bank and cash balances of HK$2,094 million (2007: HK$2,141 million), a decrease of approximately 2%. About 10% of the bank and cash balances were maintained in overseas subsidiaries for their daily operation. Cash and cash equivalent balances as at 31 December 2008 amounted to HK$1,963 million, of which 43% were in Hong Kong dollars, 49% in US dollars and 8% in other currencies.

The Group's net current assets amounted to HK$2,944 million (2007: HK$3,277 million), representing a decrease of approximately 10%. The current ratio, expressed as a percentage of current assets to current liabilities, was 5.34 at 31 December 2008 (2007: 5.42).

Capital expenditure during the year amounted to HK$929 million (2007: HK$239 million). The sharp increase was mainly attributable to the acquisition of a property as headquarters of TVBS in Taiwan during the year at a cost of approximately HK$662 million, and the capital expenditure in Hong Kong relating to digitisation of approximately HK$212 million. The acquisition of the property in Taiwan was funded by both internal resources and bank borrowings.

During the year, the Group obtained a bank loan to finance the payment relating to the acquisition of the headquarters in Taiwan. The bank loan is secured, denominated in New Taiwan dollars and is floating interest bearing. The Group's borrowings as at 31 December 2008 was HK$319 million and the maturity profile of the borrowings was as follows: within one year, HK$22 million (7%); in the second year, HK$23 million (7%); in the third to fifth years, HK$67 million (21%); over five years, HK$207 million (65%). At 31 December 2008, the gearing ratio, expressed as a ratio of gross debts to total equity, was 6% (2007: zero).

At the year end, certain assets of a subsidiary of the Group with net asset value of HK$711 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK$5 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 2008 were HK$422 million (2007: HK$1,676 million).

CONTINGENT LIABILITIES

At the year end, guarantees given to banks amounted to HK$10 million (2007: HK$10 million) to secure banking facilities granted to an investee company and a performance bond given to the Telecommunications Authority.

The Group has received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong (IRD) for the four consecutive years of assessment from 1998/99 to 2001/02 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Out of the total amounts assessed, the Group has been granted conditional holdovers by the purchase of Tax Reserve Certificates in the amounts of HK$24 million, HK$24 million, HK$20 million and HK$35 million for the four consecutive years of assessment from 1998/99 to 2001/02 respectively, whereas unconditional holdovers have been granted for the remaining assessed amounts of HK$74 million, HK$75 million, HK$66 million and HK$110 million for the four consecutive years of assessment from 1998/99 to 2001/02 respectively. Further, additional profits tax assessment notices for the year of assessment 2002/03 are expected to be issued by the end of March 2009.

The Group has filed objections to these assessments. The Group believes that these objections are well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary and that the Tax Reserve Certificates are fully recoverable.

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 4,525 (2007: 4,532) full-time employees as at 31 December 2008.

For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on monthly salaries. About 26% 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. A majority of the qualified personnel received discretionary bonuses equivalent to one half of their monthly basic salaries for the year 2008.

The Group does not operate any employee share option scheme.

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

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$1.40 per share for the 438,000,000 ordinary shares in issue of HK$0.05 each in respect of the year ended 31 December 2008. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 20 May 2009, the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 20 May 2009. Dividend warrants will be despatched to shareholders on or around 27 May 2009.

Together with an interim dividend of HK$0.30 per share paid on 26 September 2008, the total dividend for the year will amount to HK$1.70 per share (2007: HK$1.80 per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 29 April 2009 to Wednesday, 20 May 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be entitled to attend the forthcoming annual general meeting of the Company to be held on Wednesday, 20 May 2009 ("AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 April 2009.

CORPORATE GOVERNANCE

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

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

The Company adopted its own code on corporate governance (TVB Code on Corporate Governance) in 2005 which complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save that the Chairman is not subject to retirement by rotation (as required under code provision A.4.2). Pursuant to Article 114(D) of the Company's Articles of Association ("Articles"), the Chairman is exempted from retirement by rotation. 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 2008, the Company fully complied with all code provisions set out in the CG Code, except the Chairman is not subject to re-election by shareholders for the reason as above mentioned.

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

The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code for Directors and Senior Management in their dealings in the Company's securities.

Mr. Robert Sze Tsai To, who resigned as Director of the Company on 22 January 2008, confirmed that he had complied with the Model Code throughout the period between 1 January 2008 and 21 January 2008.

All other Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2008.

AUDIT COMMITTEE

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

During the year, Mr. Gordon Siu Kwing Chue, an Independent Non-executive Director of the Company, was appointed as the chairman of the Audit Committee with effect from 22 January 2008 in place of Mr. Robert Sze Tsai To who resigned on the same day.

The membership of the Audit Committee fell short of the required number of members as set out in Rule 3.21 of the Listing Rules on 22 January 2008 as a result of the resignation of Mr. Robert Sze Tsai To as the chairman of the Audit Committee. To ensure the compliance with the Listing Rules, the Board of Directors appointed Mr. Kevin Lo Chung Ping, a Non-executive Director of the Company and a member of the Executive Committee, as a member of the Audit Committee effective on 18 April 2008 to fill the vacancy left by Mr. Sze. The Company, therefore, fulfils the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed with Management and the Group's auditors, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual consolidated financial statements for the year ended 31 December 2008 before such statements were presented to the Board of Directors for approval. The financial information and figures as disclosed in this announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, PricewaterhouseCoopers.

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.

RE-ELECTION AND RETIREMENT OF DIRECTORS

In accordance with Article 114(A) of the Articles, Ms. Mona Fong, Mrs. Christina Lee Look Ngan Kwan and Dr. Li Dak Sum shall retire by rotation at the AGM. Ms. Fong and Mrs. Lee, the retiring Directors, are eligible, offer themselves for re-election at the AGM. Dr. Li Dak Sum has indicated that he will not stand for re-election at the AGM and will retire as a Director with effect from the conclusion of the AGM.

Details of the proposed candidates standing for re-election will set out in the Notice of AGM sent together with the Company's 2008 Annual Report.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company proposed to amend certain provisions in the Articles in order to bring them in line with the prevailing Listing Rules. Full terms of the proposed amendments and the relevant explanatory notes will be published in the Notice of AGM and Explanatory Statement sent together with the Company's 2008 Annual Report.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the Company's website at www.tvb.com and the designated issuer website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The Company's 2008 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in mid April 2009.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at The Harbour Room, Mezzanine Floor, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong, on Wednesday, 20 May 2009 at 11:00 a.m.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 25 March 2009

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

Executive Directors:
Sir Run Run SHAW, *G.B.M.* (Executive Chairman)
Dr. Norman LEUNG Nai Pang, *G.B.S., LL.D., J.P.* (Executive Deputy Chairman)
Mona FONG (Deputy Chairperson and Managing Director)

Non-executive Directors:
Dr. CHOW Yei Ching, *G.B.S.*
Christina LEE LOOK Ngan Kwan
Kevin LO Chung Ping

Independent Non-executive Directors:
Edward CHENG Wai Sun, *S.B.S., J.P.*
Chien LEE
Dr. LI Dak Sum, *DSSc. (Hon.)*, *J.P.*
Gordon SIU Kwing Chue, *G.B.S., J.P.*

Alternate Director:
Anthony LEE Hsien Pin (Alternate Director to Christina LEE LOOK Ngan Kwan)