Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2009 INTERIM RESULTS

HIGHLIGHTS

- Turnover decreased from HK$2,073 million to HK$1,754 million, a decline of 15%.
- Total costs decreased from HK$1,496 million to HK$1,330 million, a decline of 11%.
- Profit attributable to equity holders decreased from HK$503 million to HK$330 million, and earnings per share decreased from HK$1.15 to HK$0.75, a decline of 34%.
- Interim dividend was declared at HK$0.25 per share (2008: HK$0.30 per share).

The Directors of Television Broadcasts Limited ("Company" or "TVB") are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Unaudited	
		Six months ended 30 June	
	Note	**2009**	2008
		HK$'000	*HK$'000*
Turnover	*3*	**1,754,296**	2,073,494
Cost of sales		**(853,692)**	(962,097)
Gross profit		**900,604**	1,111,397
Other revenues	*4*	**12,454**	35,900
Selling, distribution and transmission costs		**(218,175)**	(247,390)
General and administrative expenses		**(257,994)**	(286,185)
Other gains, net		**1,592**	25,973
Finance costs		**(2,303)**	(2,956)
Share of losses of associates		**(30,155)**	(31,406)
Profit before income tax	*5*	**406,023**	605,333
Income tax expense	*6*	**(75,799)**	(102,349)
Profit for the period		**330,224**	502,984
Profit/(loss) attributable to:			
Equity holders of the Company		**330,264**	502,737
Minority interest		**(40)**	247
		330,224	502,984
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	*7*	**HK$0.75**	HK$1.15
Dividends	*8*	**109,500**	131,400

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period	**330,224**	502,984
Other comprehensive income:		
Currency translation differences	**(6,613)**	29,736
Other comprehensive income for the period	**(6,613)**	29,736
Total comprehensive income for the period	**323,611**	532,720
Total comprehensive income attributable to:		
Equity holders of the Company	**323,660**	532,209
Minority interest	**(49)**	511
	323,611	532,720

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Note	**30 June 2009 Unaudited** *HK$'000*	31 December 2008 Audited *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,329,543**	2,322,872
Leasehold land		**206,194**	208,922
Goodwill		**160,637**	161,145
Interests in jointly controlled entity		**2,000**	–
Interests in associates		**346,934**	375,674
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**18,358**	16,925
Prepayment	*9*	**156,879**	35,182
		3,220,548	3,120,723
Current assets			
Programmes and film rights		**412,221**	412,219
Stocks		**13,261**	12,952
Trade and other receivables, prepayments and deposits	*9*	**1,097,060**	1,095,718
Tax recoverable		**2,696**	1,716
Pledged bank deposits		**6,840**	5,158
Bank deposits maturing after three months		**231,629**	130,422
Cash and cash equivalents		**1,407,157**	1,963,094
		3,170,864	3,621,279
Total assets		**6,391,412**	6,742,002
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**21,900**	21,900
Other reserves	*12*	**707,944**	696,886
Retained earnings			
– Interim/final dividend	*8*	**109,500**	613,200
– Others		**4,479,416**	4,276,314
		5,318,760	5,608,300
Minority interest		**25,564**	25,613
Total equity		**5,344,324**	5,633,913

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
AS AT 30 JUNE 2009

	Note	**30 June 2009 Unaudited** ***HK$'000***	31 December 2008 Audited *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**283,878**	296,357
Deferred income tax liabilities		**124,786**	124,394
Retirement benefit obligations		**8,016**	9,563
		416,680	430,314
Current liabilities			
Trade and other payables and accruals	*11*	**552,139**	593,810
Current income tax liabilities		**56,004**	61,598
Borrowings	*10*	**22,265**	22,367
		630,408	677,775
Total liabilities		**1,047,088**	1,108,089
Total equity and liabilities		**6,391,412**	6,742,002
Net current assets		**2,540,456**	2,943,504
Total assets less current liabilities		**5,761,004**	6,064,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Independent review

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2009 has been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). An unmodified review report is included in the interim report to be sent to shareholders. The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2009 has also been reviewed by the Audit Committee of the Company.

2. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The Group adopted the following new or revised standards and amendments to standards, which are mandatory for the financial year ending 31 December 2009 and are relevant to its operation.

HKAS 1 (revised)	Presentation of financial statements
HKAS 23 (revised)	Borrowing costs
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments

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

HKAS 1 (revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker.

The adoption of the other amendments to standards has no effect on the Group's interim financial information.

The Group has not early adopted other new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2009. The Group is in the process of making an assessment of the impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application.

3. Segment information

An analysis of the Group's turnover and results for the period 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*
Six months ended 30 June 2009								
Turnover								
External customers	**828,968**	**270,676**	**162,077**	**297,814**	**153,150**	**41,611**	**–**	**1,754,296**
Inter-segment	**3,120**	**57,401**	**176**	**1,752**	**7,214**	**4,465**	**(74,128)**	**–**
Total	**832,088**	**328,077**	**162,253**	**299,566**	**160,364**	**46,076**	**(74,128)**	**1,754,296**
Reportable segment profit	**94,181**	**191,713**	**32,286**	**70,381**	**44,533**	**3,084**	**–**	**436,178**
Interest income	**4,814**	**1,683**	**155**	**356**	**–**	**188**	**–**	**7,196**
Finance costs	**–**	**–**	**–**	**(2,303)**	**–**	**–**	**–**	**(2,303)**
Depreciation and amortisation of leasehold land	**(118,426)**	**(2,572)**	**(2,729)**	**(16,253)**	**(88)**	**(1,627)**	**–**	**(141,695)**
Additions to non-current assets*	**63,605**	**342**	**1,093**	**125,950**	**2**	**7,385**	**–**	**198,377**
Six months ended 30 June 2008								
Turnover								
External customers	1,039,501	293,810	175,262	363,944	163,153	37,824	–	2,073,494
Inter-segment	3,356	68,495	232	1,982	7,469	4,797	(86,331)	–
Total	1,042,857	362,305	175,494	365,926	170,622	42,621	(86,331)	2,073,494
Reportable segment profit	246,867	211,600	33,309	93,578	47,906	3,479	–	636,739
Interest income	19,451	5,382	607	852	1,772	939	–	29,003
Finance costs	–	–	–	(2,956)	–	–	–	(2,956)
Depreciation and amortisation of leasehold land	(112,272)	(2,624)	(3,313)	(15,592)	(80)	(890)	–	(134,771)
Additions to non-current assets*	158,597	943	3,853	664,067	275	2,860	–	830,595

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

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

	Six months ended 30 June **2009** *HK$'000*	2008 *HK$'000*
Reportable segment profit	**436,178**	636,739
Share of losses of associates	**(30,155)**	(31,406)
Profit before income tax	**406,023**	605,333

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

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**978,179**	1,191,740
Taiwan	**299,080**	377,070
USA and Canada	**107,497**	106,192
Australia	**43,982**	50,563
Europe	**38,916**	47,413
Mainland China	**88,037**	81,916
Malaysia and Singapore	**185,290**	203,588
Other countries	**13,315**	15,012
	1,754,296	2,073,494

4. **Other revenues**

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest income	**7,196**	29,003
Others	**5,258**	6,897
	12,454	35,900

5. **Profit before income tax**

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Depreciation	**138,967**	132,345
Amortisation of leasehold land	**2,728**	2,426
Costs of programmes, film rights and stocks	**582,185**	655,129
Net exchange gain	**(1,592)**	(25,973)

6. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2008: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong	**45,442**	67,175
– Overseas	**29,118**	32,656
– Under/(over) provisions in prior periods	**2,386**	(603)
Deferred income tax:		
– Origination and reversal of temporary differences	**(1,147)**	9,373
– Effect of decrease in tax rate	**–**	(6,252)
	75,799	102,349

Refer to the details of disclosure under Contingent Liabilities in the Financial Review section of this Announcement regarding the additional profits tax assessments raised by the Inland Revenue Department of Hong Kong in respect of the years of assessment from 1998/99 to 2002/03.

7. Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$330,264,000 (2008: HK$502,737,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2009 and 2008. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Dividends

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interim dividend, declared after the end of the reporting period, of HK$0.25 (2008: HK$0.30) per ordinary share	**109,500**	131,400

Final dividend of HK$1.40 per ordinary share for the year ended 31 December 2008 amounting to HK$613,200,000 was approved by shareholders on 20 May 2009 and paid on 27 May 2009.

9. Trade and other receivables, prepayments and deposits

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Non-current portion		
Prepayments related to capital expenditure	**50,506**	35,182
Deposit and part payment of the consideration related to purchase of additional non-voting preferred shares of TVB Pay Vision Holdings Limited *(note (a))*	**106,373**	–
	156,879	35,182
Current portion		
Receivables from:		
Associates	**254,352**	188,353
Related parties	**61,605**	66,464
Trade receivables *(note (b))*	**741,294**	836,804
	1,057,251	1,091,621
Less: provision for impairment loss of receivables from:		
Associates	**(136,667)**	(136,796)
Third parties	**(99,583)**	(96,467)
Other receivables, prepayments and deposits	**123,910**	134,576
Tax reserve certificates	**152,149**	102,784
	1,097,060	1,095,718
Total	**1,253,939**	1,130,900

Note:

(a) On 30 June 2009, TVB Satellite TV Holdings Limited ("TVBSTVH"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Agreement") with Enjoy Profits Limited ("Enjoy Profits") for the purchase of 336,619,006 non-voting preferred shares of TVB Pay Vision Holdings Limited ("TVBPVH"), representing 31% of the entire issued share capital of TVBPVH at a cash consideration of HK$212,745,098. Completion of the Agreement is subject to two conditions precedent: (i) the approval of the shareholders of Enjoy Profits' parent company See Corporation Limited and (ii) the approval of the Broadcasting Authority ("BA") to extend the completion deadline to 25 November 2009. The extension had been approved by the BA in July 2009. As at 30 June 2009, HK$106,372,549 had been paid as deposit and part payment of the consideration to Enjoy Profits, with the remaining balance of HK$106,372,549 to be paid after the fulfillment of the conditions precedent referred to above. If any of the conditions precedent has not been fulfilled, the Agreement shall cease and none of the parties to the Agreement shall have any obligations or liabilities. In this case, Enjoy Profits shall refund the paid cash consideration to TVBSTVH without interest.

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

(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.

At 30 June 2009 and 31 December 2008, the aging analysis of the trade receivables including trading balances due from associates and related parties is as follows:

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Current	**382,267**	386,940
1-2 months	**196,581**	230,587
2-3 months	**129,743**	138,495
3-4 months	**70,436**	94,358
4-5 months	**26,635**	56,119
Over 5 months	**251,479**	184,952
	1,057,141	1,091,451
Trade receivables due from:		
Third parties	**741,294**	836,804
Associates and related parties	**315,847**	254,647
	1,057,141	1,091,451
Non-trading amounts due from related parties	**110**	170
	1,057,251	1,091,621

10. **Borrowings**

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Bank borrowings:		
Non-current	**283,878**	296,357
Current	**22,265**	22,367
Total bank borrowings	**306,143**	318,724

11. Trade and other payables and accruals

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Trade payables to:		
Associates	**2,919**	1,633
Related parties	**314**	339
Third parties	**63,428**	84,364
	66,661	86,336
Other payables and accruals	**485,478**	507,474
	552,139	593,810

At 30 June 2009 and 31 December 2008, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Current	**41,759**	51,951
1-2 months	**19,434**	25,606
2-3 months	**2,995**	6,005
3-4 months	**660**	758
4-5 months	**732**	237
Over 5 months	**1,081**	1,779
	66,661	86,336

12. Other reserves

	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 2008	602,026	70,000	864	49,750	40,118	(76,926)	685,832
Currency translation differences:							
– Group	–	–	–	–	–	29,472	29,472
Transfer from retained earnings	–	–	–	13,359	–	–	13,359
Balance at 30 June 2008	602,026	70,000	864	63,109	40,118	(47,454)	728,663
Currency translation differences:							
– Group	–	–	–	–	–	(32,105)	(32,105)
Transfer from retained earnings	–	–	–	328	–	–	328
Balance at 31 December 2008	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Balance at 1 January 2009	602,026	70,000	864	63,437	40,118	(79,559)	696,886
Currency translation differences:							
– Group	–	–	–	–	–	(6,604)	(6,604)
Transfer from retained earnings	–	–	–	17,662	–	–	17,662
Balance at 30 June 2009	**602,026**	**70,000**	**864**	**81,099**	**40,118**	**(86,163)**	**707,944**

INTERIM DIVIDEND

The Board is pleased to declare the payment of an interim dividend of HK$0.25 (2008: HK$0.30) per share for the 438,000,000 ordinary shares in issue of HK$0.05 each in respect of the six months ended 30 June 2009.

The interim dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 23 September 2009. The dividend warrants will be despatched to shareholders on or around 28 September 2009.

REVIEW OF OPERATIONS

OVERVIEW

Operating Results for the Period

For the six months ended 30 June 2009 ("Period"), the Group recorded a turnover of HK$1,754 million (2008: HK$2,073 million), a decrease of 15% over the same period of last year. Cost of sales amounted to HK$854 million (2008: HK$962 million), a decrease of 11% over the same period of last year. Gross profit for the Period stood at HK$900 million (2008: HK$1,111 million).

Included in cost of sales were the costs of programmes, film rights and stocks for the Period which amounted to HK$582 million (2008: HK$655 million), a decrease of 11% over the same period of last year.

Selling, distribution and transmission costs for the Period amounted to HK$218 million (2008: HK$247 million), a decrease of 12% over the same period of last year. General and administrative expenses amounted to HK$258 million (2008: HK$286 million), a decrease of 10% over the same period of last year.

The Group's share of the losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH"), decreased from HK$31 million to HK$30 million.

Income tax expense for the Period amounted to HK$76 million (2008: HK$102 million).

Overall, the Group's profit attributable to equity holders amounted to HK$330 million (2008: HK$503 million), a decrease of 34% over the same period of last year. Earnings per share was HK$0.75 (2008: HK$1.15).

HONG KONG TERRESTRIAL TELEVISION BROADCASTING

Advertising Revenue

The full impact of the financial crisis was felt in the Hong Kong advertising market in the first quarter of 2009. The grave economic uncertainty and negativism brought about by the global financial tsunami had reached a peak, and many advertisers took the decision to massively withhold spending in this traditionally weak first quarter, particularly in those categories most affected by the financial turmoil. Among these were credit cards, banking services, investment products, finance companies, insurance services, internet-based recruitment services, and local properties. Many business-to-business oriented sectors such as courier services, computer / printing equipment and airlines cut spending almost completely. In addition, we were also affected by the absence of government / community promotions related to the 2008 Beijing Olympic Games and a drop in spending by digital TV set top boxes manufacturers.

In this negative advertising environment, we were able to creatively canvass increased spending from daily-use products least affected by the crisis.

Advertising demand picked up significantly in the second quarter, but was still weaker than 2008. We were successful in growing spending in additional categories that potentially could survive in a recession. These include particularly the supermarket category and the large beauty-oriented category of skin care. We were also able to reverse the trend of spending decline in the insurance category, record companies and the very sizeable spending digital camera category. Our constant efforts to canvass local property advertisers resulted in an increase in advertising market share and increase in real spending.

Nevertheless, revenue performance continued to be dragged down by continued decline in spending in the hard-hit financial business categories.

The successful experience of the first two quarters in providing creative solutions and looking for opportunistic selling prospects will be leveraged in the coming period, utilising our diverse portfolio of media properties including tvb.com, J2, HD Jade, iNews, the pay channels and TVB Weekly.

Terrestrial TV Channels Performance

With the launch of an additional digital channel iNews in January 2009, TVB currently operates seven terrestrial TV channels: two analogue channels – Jade and Pearl and five digital channels – digital simulcast channels of Jade and Pearl, with the same programme schedule as their analogue counterparts, and HD Jade, J2 and iNews.

TVB continued to attain a majority audience share[1] in the terrestrial TV market – Total Jade[2] achieved an average of 84% share during weekday prime time[3]; and Pearl achieved an average of 72% share during weekly prime time[4].

Station-produced drama and non-drama programmes were again marks of quality and audience's favourites.

The period drama *Rosy Business*, a story of the fourth wife of a Wuxi rice baron who ran the family rice business with the help of a strong-willed subordinate Chaijiu, became the top-rated Jade drama in the first half of 2009. The series achieved 33 TVRs and 92% share on average, with the final episode soaring to an average of 42 TVRs and 92% share. Another hit drama, action series *E.U.* which depicted the life of two policemen, an undercover agent "Laughing Gor" and a member of the emergency unit, captured an average of 30 TVRs and 92% share. The character "Laughing Gor" was so popular that a spin-off movie was produced (a TVB-Shaw Brothers joint venture).

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1 *Audience Share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. For Total Jade[2], the base channels comprise Jade, HD Jade and Home; and for Pearl, the base channels comprise Pearl and World. Before 1 June 2009, measurement of TV ratings[5] (TVRs) included analogue broadcast only. From 1 June 2009 onwards, the measurement also includes digital broadcast.*

2 *Total Jade is defined as the aggregate of Jade and HD Jade.*

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

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

5 *TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2009, the TV population was estimated as 6,360,000, and therefore, 1 TVR represents 63,600 viewers (1% of the TV population). Ratings data source: CSM Media Research.*

In the non-drama category, *Super Trio Supreme*, the long-running game show series continued to attain an average of 30 TVRs and 89% share during the Period. The beloved cooking variety, *Beautiful Cooking (Sr. 2)*, which featured female artistes and celebrities in cooking sessions, returned and gained an average of 30 TVRs and 89% share. *Boom Boom Ba*, a game show in which the contestants faced various challenges in music and sound, captured an average of 24 TVRs and 84% share. The talk show *Club Sparkle*, featuring cosy chats with celebrity guests on hot topics, gossips and rumours in the entertainment business, achieved an average of 22 TVRs and 91% share.

Quality documentaries as well as dramas showcased the impact of full HD on HD Jade, TVB's 24-hour high definition (HD) channel. By the end of June, about 80% of weekday programmes on HD Jade were native HD (originally produced in HD format) programmes. Highlights of documentaries on the channel included the award-winning title *Planet Earth*, as well as *World Heritage* and *Home*. Asian and Hollywood dramas such as *Sik Gaek* and *Lost* provided impressive audio and visual enjoyment for audience who sought the full HD experience. HD Jade also produced the live financial programme *Money Smart*, providing updated stock market information during daytime on weekdays.

For the more trendy audience, J2 introduced many popular animation series as well as idol dramas, music and variety programmes. The anime series *Fullmetal Alchemist-Brotherhood* was broadcast on J2 three weeks after its telecast in Japan. J2 also produced programmes such as *Love Academy*, which provided a platform for youth to express their views on love matters.

TVB's iNews channel, the only free 24-hour news channel in Hong Kong, provided updates on local, regional and international news.

Digitisation

The penetration of digital terrestrial television (DTT) grew at a slower pace in the first half of 2009 than it did in 2008, due to the absence of a major event stimulus like the Beijing 2008 Olympic Games. However, the official launch of, iNews, Hong Kong's only free-to-air 24 hour news channel at the beginning of this year provided a new stimulus for DTT adoption.

DTT household penetration (including PC-based receivers) grew marginally from 32.3% in December 2008 to 33.6% in March 2009, which was no doubt affected by the economic recession. However, penetration has since increased to 40.2% in June 2009.

To further stimulate DTT adoption on the back of improved market sentiment, we have expanded our interactive TV offerings in June 2009 and will progressively introduce additional interactive services in the second half of this year.

INTERNATIONAL OPERATIONS

With the exception of Taiwan, our international businesses, which were mostly licensing and subscription based, were comparatively stable and less affected by the economic downturn. Revenue remained steady in several key markets like Malaysia, Singapore, mainland China and Canada. The lackluster performance of TVBS in Taiwan caused by the slowdown of the advertising market has been improving gradually.

Programme Licensing and Distribution

During the Period, revenue from programme licensing and distribution declined by 9% from HK$362 million to HK$328 million. Malaysia and Singapore, our traditional telecast markets, recorded a drop in revenue of 8% which was mainly due to fluctuations of currency exchange rates in the first half year of 2009.

In Malaysia, the impact of the economic downturn on our telecast licensing business was less severe than the advertising based business. Subscriber numbers for ASTRO All Asia Networks plc's ("ASTRO") Dynasty package, of which TVB is a major content provider, were maintained steadily, whilst subscribers to ASTRO's Near Video-On-Demand platform continued to grow. We continued our strategy to strengthen TVB's market position in Malaysia by organising a series of local marketing events which were attended by our artistes. These activities generated much attention and press coverage in the local community, and were well-received.

In Singapore, our channels on the StarHub Cable Vision platform continued to perform well, especially the news channel from Taiwan, TVBS-News, which recorded continuing growth in subscribers. The popularity of TVB dramas was the major attraction which helped generate additional advertising revenue for TVB channels.

The demand from mainland China's domestic television stations for quality programmes remained strong. We recorded a 7% growth in revenue from mainland China during the first six months of the year, contributed mainly from an increase in telecast licensing revenue.

Overseas Satellite Pay TV Operations

Our overseas pay TV businesses in North America and Australia recorded double-digit percentage growth in subscribers against the same period in 2008. The subscription of both TVB Vietnam channel and TVB Mandarin package maintained satisfactory growth in the US. The Australia platform managed to increase subscription fee by about 7.3% during the Period which has substantial contribution to its bottom-line. For the European platform, we expect to complete the migration of existing subscribers within this year to a new satellite on which we are able to launch new channels, i.e. Mandarin, Vietnamese and additional Cantonese channels in future.

Taiwan

As a result of the global financial crisis, TVBS performance in the first half of 2009 was, as expected, less satisfactory. A double-digit percentage decline in advertising revenue had been recorded. However, the subscription based revenue and our cost management efforts helped mitigate the negative impact from revenue decline.

The outlook for the advertising market in the second half of 2009 appears, however, more encouraging.

In May 2009, TVBS has relocated its production facilities and offices to our wholly-owned brand new production studio and administration building in Neihu District, Taipei. This signified the successful completion of the complex process to consolidate various operating locations in Taipei into a headquarters and production base. With new equipment in place, we are now capable of producing digital and high definition programmes, which will help improve our competitive edge in the market.

Channel Operations

TVB8 and Xing He Channels

The performance of TVB8 and Xing He channels was similarly affected by the economic downturn. We recorded a decline in revenue from Malaysia resulting from a contraction in advertising spending and lower currency exchange rates. We, however, remained committed to work with our business partners in Malaysia and Singapore and consider that the above decline is of a short-term nature.

Supply of Channels to TVB Pay Vision Limited ("TVBPV")

TVB continues to supply eight channels to TVBPV. This includes six entertainment channels: TVB Drama, TVB Lifestyle, TVB Classic, TVB Kids, TVB Entertainment News and TVBM; and two news channels TVBN and TVBN2.

As before, TVB Drama garnered hit Asian series, such as record high rating Taiwanese idol dramas *You're My Destiny* and *Queen of No Marriage*; Korean epic titles *East of Eden* and *The Legend*; and Japanese big hit series *Triangle*.

TVB Lifestyle's signature programme *Be My Guest* interviewed many notable celebrity guests. New programmes launched on TVB Lifestyle included *Trendy Gals*. The channel also featured the widely acclaimed Taiwanese talent show *One Million Star* season II.

TVB Classic's *Stardust Memories* presented packages starring Gigi Lai and Sandra Ng. *TVB Master Series* featuring classic drama series of the 70's produced by renowned directors, including Chung King Fai and Patrick Tam.

TVB Entertainment News Live covered the red carpet ceremonies of The 45th Golden Horse Awards Ceremony, 28th Hong Kong Film Awards Presentation, and the 18th Hong Kong Theatre Awards Ceremony.

TVBM was re-launched in June 2009 with the new programme *Moving Music*. In addition, the channel also brought in variety / game show on music, songs and lyrics *Million Singer* which is hosted by Taiwanese singer, Harlem Yu.

Investment in TVBPVH

TVB's equity interest in the associate, TVBPVH, remained at 29% throughout the Period. By way of a sale and purchase agreement entered into between the Group and Enjoy Profits Limited ("Enjoy Profits") on 30 June 2009, the Group agreed to purchase from Enjoy Profits 336,619,006 non-voting preferred shares, representing approximately 31% of the equity interest in TVBPVH for a cash consideration of HK$212,745,098, subject to conditions which included the approval by the shareholders of Enjoy Profits' parent company See Corporation Limited. If the conditions are fulfilled, the Group would be interested in approximately 60% of the equity interest in TVBPVH and shall maintain a voting interest at 15% in TVBPVH.

The number of subscribers for the pay TV business continued to improve, generating higher subscription revenue for the pay TV platform. During the Period, TVB's share of the net loss of the associate at 29% was lowered from HK$31 million to HK$30 million.

OTHER BUSINESSES

Internet Operations

Licensing revenue to broadband internet and mobile operators decreased significantly due to decreasing number of subscribers caused by the widespread availability of free pirated content. However, advertising revenue grew by 73% as a result of the large scale upgrading of our tvb.com portal and our aggressive selling of integrated marketing solutions to large brand name advertisers. Traffic on our portal, www.tvb.com had grown by more than 105% in the last six months after the launch of My TV, a catch up TV service, and the artistes blogs[6]. At present tvb.com attracts over two million Hong Kong viewers per month[7], and has successfully attracted major brand advertisers. The growth of advertising revenue in the first half of 2009 managed to make up for the decline in licensing revenue.

Significant investment will continuously be made in the second half in the effort to build tvb.com to become the leading media destination site in Hong Kong.

Magazine Publishing

Suffering from the market downturn, both magazine sales and advertising revenue from TVB Weekly dropped in the first half of 2009.

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[6] *Traffic, in terms of page views, was measured by Nielsen Online*

[7] *Source: Nielsen Online*

Creative sales events and integrated marketing projects had been organized, in order to generate new revenue. An effective usage of air time promotion in those projects had successfully attracted more clients.

New monthly titles (J2 Magazine and TVBeauty Queen) attached to TVB Weekly, were created to boost magazine sales, and to reach new advertising clients. The selling of TVB Weekly cover sponsorship has generated significant revenue and has potential to increase in popularity.

FINANCIAL REVIEW

Important Events

On 29 April 2009, the Company entered into a joint venture and shareholders' agreement with Shaw Brothers (Hong Kong) Limited ("Shaw Brothers") for the establishment of a joint venture company ("JV Company") with the objective of producing motion pictures. The Company and Shaw Brothers will contribute equally to all future funding required by the JV Company and anticipated that the total capital contribution by the Company is expected not to exceed HK$20 million, being the Company's half share of the production budgets of two motion pictures plus a contingent amount. Contribution by the Company will be made through internal funding. As at 30 June 2009, HK$2 million has been contributed to the JV Company.

On 30 June 2009, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Agreement") with Enjoy Profits for the purchase of 336,619,006 non-voting preferred shares of TVBPVH, representing 31% of the entire issued share capital of TVBPVH at a cash consideration of HK$212,745,098. As at 30 June 2009, HK$106,372,549 had been paid as deposit and part payment of the consideration to Enjoy Profits. Completion of the Agreement is subject to the fulfillment of the conditions precedent. For details, please refer to Note 9(a) of this Announcement.

Liquidity, Financial Resources and Capital Structure

At 30 June 2009, total equity stood at HK$5,344 million (31 December 2008: HK$5,634 million), a decrease of 5% over the last year-end.

At 30 June 2009, the Group had bank deposits and cash balances of HK$1,639 million (31 December 2008: HK$2,094 million), representing a decrease of 22% over the last year-end. The drop in bank deposits and cash balances was largely due to the payment of the 2008 final dividend of HK$613 million during the Period. About 10% of bank deposits and cash balances were maintained in overseas subsidiaries for their daily operation. Bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars.

The Group's net current assets amounted to HK$2,540 million (31 December 2008: HK$2,944 million), representing a decrease of 14% over the last year-end. The current ratio, expressed as a percentage of current assets to current liabilities, was 5.03 at 30 June 2009 (31 December 2008: 5.34).

The Group's total bank borrowing at 30 June 2009 was HK$306 million. The loan is secured, denominated in New Taiwan dollars and is on a floating interest basis. At 30 June 2009, the maturity profile of the Group's borrowings was as follows: within one year, HK$22 million (7%); in the second year, HK$22 million (7%); in the third to fifth years, HK$67 million (22%); over five years, HK$195 million (64%). The gearing ratio, expressed as a ratio of gross debts to total equity, was 6% (31 December 2008: 6%).

As at 30 June 2009, certain assets of a subsidiary of the Group with net asset value of HK$749 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK$7 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

As at 30 June 2009, capital commitments of the Group were HK$446 million (31 December 2008: HK$422 million), representing an increase of 6%.

Contingent Liabilities

At 30 June 2009, the Group provided guarantees for banking facilities granted to an investee company of HK$9 million (31 December 2008: HK$8 million).

The Group had received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong for the five consecutive years of assessment from 1998/99 to 2002/03 on the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group had objected. Out of the total tax demanded, 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, HK$35 million and HK$49 million for the five consecutive years of assessment from 1998/99 to 2002/03 respectively, whereas unconditional holdovers have been granted for the remaining tax demanded of HK$74 million, HK$75 million, HK$66 million, HK$110 million and HK$160 million for the five consecutive years of assessment from 1998/99 to 2002/03 respectively. The Group believes that its objection is 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.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

Human Resources

At 30 June 2009, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,313 full-time employees (31 December 2008: 4,525).

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 local legislations. 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. Discretionary bonuses may be awarded as an incentive for better performance.

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.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 ("CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save that the Chairman is not subject to retirement (as required under code provision A.4.2 of the CG Code). Pursuant to Article 114 of the Company's Articles of Association, every Director, except for the Chairman, shall be subject to retirement at least once every three years but shall be eligible for re-election.

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.

Save for the above, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the CG Code.

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

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

Dr. Li Dak Sum, who retired as Director of the Company on 20 May 2009, confirmed that he had complied with the Model Code throughout the period between 1 January 2009 and 20 May 2009.

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

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the Company's external auditors. The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed consolidated financial information for the Period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 21 September 2009 to Wednesday, 23 September 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to ascertain entitlement to the interim dividend, 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 18 September 2009.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Company (www.tvb.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Interim Report 2009 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in mid-September 2009.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 26 August 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:
Christina LEE LOOK Ngan Kwan
Dr. CHOW Yei Ching, *G.B.S.*
Kevin LO Chung Ping

Independent Non-executive Directors:
Edward CHENG Wai Sun, *S.B.S., J.P.*
Chien LEE
Gordon SIU Kwing Chue, *G.B.S., J.P.*

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