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Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2009 ANNUAL RESULTS

RESULTS HIGHLIGHTS:

- Group's turnover decreased by 10%, from HK$4,407 million to HK$3,983 million.
- Profit attributable to equity holders decreased by 15%, from HK$1,055 million to HK$900 million.
- Final dividend was recommended at HK$1.35 per share (2008: HK$1.40 per share), making a total dividend of HK$1.60 per share (2008: HK$1.70 per share) for the year.

The Directors of Television Broadcasts Limited (the "Company" or "TVB") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Turnover	2	**3,983,332**	4,407,304
Cost of sales		**(1,780,942)**	(2,025,045)
Gross profit		**2,202,390**	2,382,259
Other revenues	2	**39,353**	70,415
Selling, distribution and transmission costs		**(455,506)**	(507,396)
General and administrative expenses		**(504,590)**	(569,764)
Other gains/(losses), net		**9,204**	(18,928)
Finance costs	5	**(4,498)**	(7,581)
Share of losses of associates		**(64,971)**	(63,174)
Profit before income tax	4	**1,221,382**	1,285,831
Income tax expense	6	**(320,626)**	(229,544)
Profit for the year		**900,756**	1,056,287
Profit attributable to:			
Equity holders of the Company		**900,444**	1,055,348
Minority interest		**312**	939
		900,756	1,056,287
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	7	**HK$2.06**	HK$2.41
Dividends	8	**700,800**	744,600

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**900,756**	1,056,287
Other comprehensive income:		
Currency translation differences	**7,427**	(2,724)
Other comprehensive income for the year	**7,427**	(2,724)
Total comprehensive income for the year	**908,183**	1,053,563
Total comprehensive income attributable to:		
Equity holders of the Company	**907,791**	1,052,715
Minority interest	**392**	848
Total comprehensive income for the year	**908,183**	1,053,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,345,621**	2,322,872
Leasehold land		**203,466**	208,922
Goodwill		**163,248**	161,145
Interests in jointly controlled entity		**7,500**	–
Interests in associates	9	**675,830**	375,674
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**17,995**	16,925
Prepayment	10	**–**	35,182
		3,413,663	3,120,723
Current assets			
Programmes and film rights		**366,133**	412,219
Stocks		**13,056**	12,952
Trade and other receivables, prepayments and deposits	10	**1,152,715**	1,095,718
Tax recoverable		**2,802**	1,716
Pledged bank deposits		**7,002**	5,158
Bank deposits maturing after three months		**194,179**	130,422
Cash and cash equivalents		**1,893,586**	1,963,094
		3,629,473	3,621,279
Total assets		**7,043,136**	6,742,002
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**21,900**	21,900
Other reserves	13	**723,094**	696,886
Retained earnings			
– Proposed final dividend	8	**591,300**	613,200
– Others		**4,457,097**	4,276,314
		5,793,391	5,608,300
Minority interest		**25,234**	25,613
Total equity		**5,818,625**	5,633,913
LIABILITIES			
Non-current liabilities			
Borrowings	11	**279,030**	296,357
Deferred income tax liabilities		**111,713**	124,394
Retirement benefit obligations		**6,706**	9,563
		397,449	430,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Current liabilities			
Trade and other payables and accruals	12	**640,153**	593,810
Current income tax liabilities		**164,131**	61,598
Borrowings	11	**22,778**	22,367
		827,062	677,775
Total liabilities		**1,224,511**	1,108,089
Total equity and liabilities		**7,043,136**	6,742,002
Net current assets		**2,802,411**	2,943,504
Total assets less current liabilities		**6,216,074**	6,064,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

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

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

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

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 material financial impact to the Group's consolidated financial statements.

2. Turnover and other revenues

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

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

Other revenues comprise mainly interest income and others.

2. **Turnover and other revenues** *(continued)*

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

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Advertising income, net of agency deductions	**2,399,781**	2,755,575
Licensing income	**796,611**	821,382
Subscription income	**464,948**	475,717
Others	**372,160**	402,012
	4,033,500	4,454,686
Less: Withholding tax	**(50,168)**	(47,382)
	3,983,332	4,407,304
Other revenues		
Interest income	**11,665**	56,868
Others	**27,688**	13,547
	39,353	70,415
	4,022,685	4,477,719

3. **Segment information**

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

3. Segment information *(continued)*

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

	Hong Kong terrestrial television broadcasting *HK$'000*	Programme licensing and distribution *HK$'000*	Overseas satellite pay TV operations *HK$'000*	Taiwan operations *HK$'000*	Channel operations *HK$'000*	Other activities *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
For the year ended 31 December 2009								
Turnover								
External customers	**2,063,358**	**547,013**	**347,436**	**622,998**	**314,340**	**88,187**	**–**	**3,983,332**
Inter-segment	**8,344**	**120,592**	**365**	**6,873**	**14,638**	**9,222**	**(160,034)**	**–**
Total	**2,071,702**	**667,605**	**347,801**	**629,871**	**328,978**	**97,409**	**(160,034)**	**3,983,332**
Reportable segment profit	**564,718**	**394,444**	**75,165**	**153,830**	**94,494**	**3,702**	**–**	**1,286,353**
Interest income	**8,465**	**2,217**	**215**	**529**	**–**	**239**	**–**	**11,665**
Finance costs	**–**	**–**	**–**	**(4,498)**	**–**	**–**	**–**	**(4,498)**
Depreciation and amortisation of leasehold land	**(231,559)**	**(4,864)**	**(5,604)**	**(36,584)**	**(174)**	**(4,390)**	**–**	**(283,175)**
Additions to non-current assets*	**131,292**	**370**	**2,282**	**133,844**	**2**	**16,745**	**–**	**284,535**
For the year ended 31 December 2008								
Turnover								
External customers	2,339,179	585,001	345,315	715,996	329,116	92,697	–	4,407,304
Inter-segment	6,939	142,797	431	4,397	15,521	14,029	(184,114)	–
Total	2,346,118	727,798	345,746	720,393	344,637	106,726	(184,114)	4,407,304
Reportable segment profit	639,630	373,762	61,693	164,909	88,947	20,064	–	1,349,005
Interest income	39,274	9,017	1,138	2,014	3,455	1,970	–	56,868
Finance costs	–	–	–	(7,581)	–	–	–	(7,581)
Depreciation and amortisation of leasehold land	(236,124)	(5,222)	(6,107)	(33,722)	(176)	(2,280)	–	(283,631)
Additions to non-current assets*	276,987	1,286	4,914	700,669	312	8,064	–	992,232
Reportable segment assets								
At 31 December 2009	**3,962,867**	**485,727**	**149,066**	**1,276,589**	**143,693**	**168,915**	**–**	**6,186,857**
At 31 December 2008	4,050,146	526,165	150,662	1,199,809	148,994	169,124	–	6,244,900

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

3. Segment information *(continued)*

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

	2009	2008
	HK$'000	*HK$'000*
Reportable segment profit	**1,286,353**	1,349,005
Share of losses of associates	**(64,971)**	(63,174)
Profit before income tax	**1,221,382**	1,285,831

Reportable segments assets are reconciled to total assets as follows:

	2009	2008
	HK$'000	*HK$'000*
Reportable segment assets	**6,186,857**	6,244,900
Interests in jointly controlled entity	**7,500**	–
Interests in associates	**675,830**	375,674
Available-for-sale financial assets	**3**	3
Tax recoverable	**2,802**	1,716
Tax reserve certificates	**152,149**	102,784
Deferred income tax assets	**17,995**	16,925
Total assets per consolidated statement of financial position	**7,043,136**	6,742,002

No customer accounted for 10% or more of the total revenue for the years ended 31 December 2008 and 2009.

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

	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**2,366,476**	2,660,971
Taiwan	**627,504**	734,588
USA and Canada	**217,727**	216,094
Australia	**98,284**	95,722
Europe	**82,614**	91,519
Mainland China	**183,284**	177,490
Malaysia and Singapore	**378,668**	399,686
Other countries	**28,775**	31,234
	3,983,332	4,407,304

4. Profit before income tax

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

	2009	2008
	HK$'000	*HK$'000*
Net exchange (gain)/loss	**(9,204)**	18,928
Loss on disposal of property, plant and equipment	**312**	550
Auditors' remuneration	**4,439**	4,562
Non-audit service fees (mainly tax services)	**2,994**	1,796
Cost of programmes, film rights and stocks	**1,204,162**	1,416,471
Depreciation	**277,719**	278,477
Amortisation of leasehold land	**5,456**	5,154
Operating leases		
– equipment and transponders	**23,991**	38,049
– land and buildings	**18,948**	32,271
Employee benefit expense (excluding directors' emoluments)	**1,148,430**	1,275,338

5. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within five years	**–**	13
– over five years	**4,498**	7,568
	4,498	7,581

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2009	2008
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong	**145,789**	160,114
– Overseas	**87,425**	79,065
– Over provisions in prior years	**(953)**	(1,512)
– Provision for prior years *(note)*	**102,000**	–
Deferred income tax:		
– Origination and reversal of temporary differences	**(14,650)**	(1,851)
– Effect of decrease in tax rate	**1,015**	(6,272)
	320,626	229,544

Note:

The Group had received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong (IRD) 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 has objected. Out of the total tax demanded, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$23,990,000, HK$23,561,000, HK$20,205,000, HK$35,028,000 and HK$49,365,000 for the five consecutive years of assessment from 1998/99 to 2002/03 respectively (see Note 10), whereas unconditional holdovers have been granted for the remaining tax demanded of HK$74,287,000, HK$75,015,000, HK$65,819,000, HK$109,538,000 and HK$159,902,000 for the five consecutive years of assessment from 1998/99 to 2002/03 respectively.

6. **Income tax expense** *(continued)*

Note:

The Group has filed objections to these assessments, and is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

Subsequently, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2003/04 in February 2010 with a total tax demand of HK$206,531,000. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

As a result of the recent exchange of information and discussion with the IRD during the year, management obtained the IRD's initial view of the case and considered that a provision of HK$102,000,000 against the tax exposures under question to be appropriate at 31 December 2009.

7. **Earnings per share**

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$900,444,000 (2008: HK$1,055,348,000) and 438,000,000 shares in issue throughout the years ended 31 December 2009 and 2008. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. **Dividends**

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.25 (2008: HK$0.30) per ordinary share	**109,500**	131,400
Proposed final dividend of HK$1.35 (2008: HK$1.40) per ordinary share	**591,300**	613,200
	700,800	744,600

At a meeting held on 24 March 2010, the Directors recommended a final dividend of HK$1.35 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 2010.

9. Interests in associates

	2009	2008
	HK$'000	*HK$'000*
Investment costs *(note (a))*	**528,872**	316,127
Less: Accumulated share of losses	**(574,636)**	(509,665)
	(45,764)	(193,538)
Loans to associates *(note (b))*	**719,212**	569,212
Interest receivables from associates	**2,382**	–
	675,830	375,674
Unlisted shares, at cost	**528,872**	316,127

Notes:

(a) During the year, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, acquired 336,619,006 non-voting preferred shares (31% of the entire issued share capital) of TVB Pay Vision Holdings Limited ("TVBPVH") from Enjoy Profits Limited at a cash consideration of HK$212,745,000. Investment in associates at 31 December 2009 included goodwill of HK$422,616,000 (2008: nil) arising from the acquisition of 31% equity interests in TVBPVH.

(b) On 31 December 2009, the Company and TVB Pay Vision Limited ("TVBPV") entered into a debt restructuring agreement to consolidate (i) the licence fee payable under the Channel Supply Agreement made between the Company and TVBPV in the sum of HK$150,000,000; and (ii) the loan of HK$569,212,000 under the loan agreement dated 31 December 2008. This loan carries interest at the rate of 1-month HIBOR plus 0.25%. The Group has recognised losses in excess of the investment costs in the shares in TVBPVH of HK$45,764,000 (2008: HK$193,538,000) and applied this amount to the aforementioned loan which formed the net investment in TVBPVH.

At 31 December 2009, the carrying amount of the loan to associate approximated its fair values.

(c) In addition to the loan described in (b), the Group has trade receivables from associates, net of impairment loss, of HK$50,946,000.

(d) The Group periodically reviews loan to and receivables from associates to assess whether there is objective evidence that loans and receivables are impaired. In 2009, after reviewing the payment status and performance of TVBPV, management has concluded that provision for impairment loss of HK$135,000,000 was adequate.

10. Trade and other receivables, prepayments and deposits

	2009	2008
	HK$'000	*HK$'000*
Non-current portion		
Prepayment related to capital expenditure	**–**	35,182
Current portion		
Receivables from:		
Jointly controlled entity	**939**	–
Associates	**187,614**	188,353
Related parties	**69,251**	66,464
Trade receivables *(note)*	**860,238**	836,804
	1,118,042	1,091,621
Less: Provision for impairment loss of receivables from:		
Associates	**(136,668)**	(136,796)
Third parties	**(106,625)**	(96,467)
Other receivables, prepayments and deposits	**125,817**	134,576
Tax reserve certificates *(Note 6)*	**152,149**	102,784
	1,152,715	1,095,718
Total	**1,152,715**	1,130,900

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 2009 and 2008, the aging analysis of the trade receivables including trading balances due from jointly controlled entity, associates and related parties is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**429,077**	386,940
1-2 months	**202,915**	230,587
2-3 months	**132,257**	138,495
3-4 months	**103,082**	94,358
4-5 months	**39,067**	56,119
Over 5 months	**211,639**	184,952
	1,118,037	1,091,451
Trade receivables due from:		
Third parties	**860,238**	836,804
Jointly controlled entity, associates and related parties	**257,799**	254,647
	1,118,037	1,091,451
Non-trading amounts due from related parties	**5**	170
	1,118,042	1,091,621

11. Borrowings

	2009	2008
	HK$'000	*HK$'000*
Bank borrowings:		
Non-current	**279,030**	296,357
Current	**22,778**	22,367
Total bank borrowings	**301,808**	318,724

12. Trade and other payables and accruals

	2009	2008
	HK$'000	*HK$'000*
Trade payables to:		
Associates	**2,395**	1,633
Related parties	**5,314**	339
Third parties	**72,091**	84,364
	79,800	86,336
Other payables and accruals	**560,353**	507,474
	640,153	593,810

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

	2009	2008
	HK$'000	*HK$'000*
Current	**49,672**	51,951
1-2 months	**19,195**	25,606
2-3 months	**6,433**	6,005
3-4 months	**690**	758
4-5 months	**2,198**	237
Over 5 months	**1,612**	1,779
	79,800	86,336

13. Other reserves

	Share premium	General reserve	Capital reserve	Legal reserve	Capital redemption reserve	Translation reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2008	602,026	70,000	864	49,750	40,118	(76,926)	685,832
Currency translation differences:							
– Group	–	–	–	–	–	(2,633)	(2,633)
Transfer from retained earnings	–	–	–	13,687	–	–	13,687
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	–	–	–	–	–	7,347	7,347
Transfer from retained earnings	–	–	–	18,861	–	–	18,861
Balance at 31 December 2009	**602,026**	**70,000**	**864**	**82,298**	**40,118**	**(72,212)**	**723,094**

REVIEW OF OPERATIONS

OPERATING RESULTS FOR THE YEAR

For the year ended 31 December 2009, the Group attained a turnover of HK$3,983 million (2008: HK$4,407 million), a decrease of approximately 10% over 2008. Cost of sales was reduced from HK$2,025 million to HK$1,781 million, a decrease of approximately 12% over 2008. As a result, gross profit for the year amounted to HK$2,202 million (2008: HK$2,382 million), representing a decrease of approximately 8% over 2008, and the gross profit percentage slightly improved from 54% in 2008 to 55% in 2009.

Included in the cost of sales was the costs of programmes, film rights and stocks which amounted to HK$1,204 million (2008: HK$1,416 million), a decrease of approximately 15% over 2008.

Selling, distribution and transmission costs amounted to HK$456 million (2008: HK$507 million), a decrease of approximately 10% over 2008. General and administrative expenses amounted to HK$505 million (2008: HK$570 million), a decrease of approximately 11% over 2008. These cost savings were made as a result of an effort to rationalise the existing cost base against an overall weak market.

The Group's share of losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH"), increased from HK$63 million to HK$65 million, upon the completion of the acquisition of an additional 31% equity interests in TVBPVH on 16 November 2009. Consequently, the percentage of share of losses increased from 29% to 60% on 16 November 2009. (Please refer to discussion in section "Investment in Hong Kong Pay TV Platform" for further details.)

Profit before income tax for the year amounted to HK$1,221 million (2008: HK$1,286 million), a decrease of approximately 5% over 2008.

The Group's taxation charge amounted to HK$321 million (2008: HK$230 million), an increase of approximately 40% over 2008. As further explained in Note 6 of the consolidated financial statements, the Group has, during the year, made a provision for taxation of HK$102 million relating to prior years on profits generated by the Group's programme licensing and distribution business carried out overseas, as a result of the tax challenge from the Inland Revenue Department of Hong Kong (IRD).

Overall, the profit attributable to equity holders for the year amounted to HK$900 million (2008: HK$1,055 million), a decrease of approximately 15% over 2008. Earnings per share was HK$2.06 (2008: HK$2.41).

SEGMENT RESULTS

Revenue under Hong Kong terrestrial TV broadcasting, which comprised predominantly advertising revenue derived from the Hong Kong free TV channels (Jade, Pearl, HD Jade, J2 and iNews) decreased from HK$2,346 million to HK$2,072 million, representing a decrease of approximately HK$274 million or 12% over 2008.

The cost of sales which comprised the costs of self-produced TV programmes, the amortised costs of acquired film rights and other costs, decreased from HK$1,134 million to HK$968 million, representing a decrease of approximately HK$166 million or 15% over 2008. Much of the reduction was mainly attributable to the absence of the non-recurring costs relating to coverage of the Beijing 2008 Olympic Games, and our strenuous efforts to reduce other programme costs in 2009. As a result, a segmental profit of HK$565 million (2008: HK$640 million) was recorded, a decrease of approximately HK$75 million or 12% over 2008.

Revenue from programme licensing and distribution which comprised predominantly licensing income from distribution of our programmes through telecast, homevideo, and new media licensing, decreased from HK$728 million to HK$668 million, a decrease of approximately HK$60 million or 8% over 2008. However, with its operating costs reduced by HK$52 million together with an exchange gain of HK$6 million (2008: exchange loss of HK$22 million), a segmental profit of HK$394 million (2008: HK$374 million) was recorded, representing an increase of approximately HK$20 million or 6% over 2008.

Revenue from overseas satellite pay TV operations which comprised revenue from our platforms in USA, Australia and Europe, posted a slight increase of HK$2 million to HK$348 million (2008: HK$346 million). A segmental profit of HK$75 million was recorded (2008: HK$62 million), representing an increase of approximately HK$13 million or 22% which was driven by the stringent control on operating expenses during the year.

Revenue from Taiwan operations decreased from HK$720 million to HK$630 million which was mainly caused by the contraction in advertising income. By adopting cost saving measures, the operating expenses were reduced by HK$79 million. As a consequence, a segmental profit of HK$154 million (2008: HK$165 million) was recorded, reflecting a decrease in profit of approximately HK$11 million or 7% over 2008.

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the satellite TV channel operations, and the supply of the nine pay TV channels to TVB Pay Vision Limited ("TVBPV"), decreased from HK$345 million to HK$329 million, a decrease of approximately HK$16 million or 5% over 2008. This segment contributed a segmental profit of HK$94 million (2008: HK$89 million), an increase of approximately HK$5 million or 6% over 2008, as the savings in operating expenses outweighed the decrease in revenue.

Revenue from other businesses which comprised revenue from Internet operations and magazine publishing, decreased from HK$107 million to HK$97 million. With higher operating expenses associated with the expansion of Internet operations, this segment recorded a fall in profit from HK$20 million to HK$4 million, a decrease of approximately HK$16 million or 82% over 2008.

HONG KONG TERRESTRIAL TV BROADCASTING

ADVERTISING REVENUE

An improvement in advertising revenue performance in the last quarter of 2009 helped reduce the decline in advertising revenue for the year to 12% over 2008.

Advertiser sentiment was at its lowest in the first quarter. The most affected categories were in the financial services area, local properties, leisure categories and business-to-business oriented categories. Nevertheless, we were able to achieve growth in spending in this quarter in more recession-proof categories, such as the personal cleaning products and the milk powder for infants.

Advertiser confidence increased moderately in the second and third quarters with the decline in advertising revenue narrowing during this period.

Though the hard-hit financial services, leisure and business-to-business categories continued to be weak in the second and third quarters, we were able to continue to grow the recession-proof categories as well as the supermarket and skin care categories. In addition, local property advertising showed a rebound in the second and third quarters.

Local property advertising continued to be strong in the last quarter. In addition, overall advertiser sentiment was clearly more upbeat in the run-up to Christmas with advertising spending increasing across many categories. In addition, there was good revenue arising out of our efforts to comprehensively cover the 2009 East Asian Games.

The improved economic and advertiser sentiment in the last quarter of 2009 gave ground to believe that the recession in advertising spending has bottomed out, and we can look forward to building growth gradually in the year ahead.

DIGITISATION

The growth in digital terrestrial television ("DTT") adoption was, expectedly, slower in the second year of DTT broadcasting than in the first year. Nevertheless, DTT household penetration (including PC-based receivers) grew from 32.3% in December 2008 to 46.5% in December 2009, which is in line with our expectation.

A significant trend assisting DTT adoption is the wide availability of integrated digital TV sets or idTV's since the beginning of 2009. Thus, sales of stand-alone set-top boxes have slowed down considerably, particularly in the second half, with consumers preferring to purchase idTV's.

The Group continued to increase the DTT coverage by increasing the number of re-transmission stations or fill-in stations around Hong Kong. At 31 December 2009, five additional fill-in stations were successfully brought into service, taking the total number of main transmission stations and fill-in stations in operation to six stations each. Therefore, the DTT coverage increased from 75% to 85% of all households at the end of the year.

As part of the Group's strategy to adopt a total digital production environment, the Company targets to substantially complete the upgrade of all of its drama studios and major variety studios in TVB City by the end of December 2010 which would enable all major production to be in HD format. This will be followed by the upgrade of the remaining studios, together with the remaining outside broadcasting equipment.

During 2009, the Company has started to construct in the nearby Shaw Studios an electronic archive for storage and retrieval of self-produced television programmes in digital format. This electronic archive is an important foundation for storage and retrieval of programme records, which would benefit future distribution and licensing of our programmes. At the same time, a selection of metadata associated with the programmes will also be incorporated in the digital files to facilitate search capability.

MID-TERM LICENCE REVIEW

The Mid-term Licence Review conducted recently by the Broadcasting Authority on the first six years of TVB's current broadcasting licence was both comprehensive in scope and widespread in community participation.

Through this review, TVB has proven its outstanding record of broadcasting excellence and licence compliance.

In response to public and community feedback arising out of this review, the Company will be increasing its subtitling services for both Chinese and English language channels, and increasing the hours of positive programming.

TERRESTRIAL TV CHANNELS PERFORMANCE

In addition to the two analogue channels Jade and Pearl, five digital channels are in operation: Jade, J2, HD Jade, iNews (all in Cantonese) and Pearl (in English). With the new digital channels, opportunities have arisen for programmes to be broadcast cross-platform on multi-channels, allowing simultaneous live broadcast of large scale events for more comprehensive coverage. During the year, TVB utilised its multi-channel capability to cover major events such as the historical 60th Anniversary of the founding of the People's Republic of China in October, and the events of the 2009 East Asian Games, the FIVB World Grand Prix, the 11th National Games of China, and Hong Kong Sevens.

Jade Channel

Drama

Dramas continue to attract a wide audience following for weekday evening primetime[1] on Jade.

2009 was a bumper year for our drama productions with notable successes. *Rosy Business* (25 episodes) launched in April was a highly successful period drama about a family business run by the fourth wife of a rice baron who was helped by Chaijiu, a strong-willed subordinate, whose aphorisms became oft repeated. This drama truly became talk-of-the-town with 33 TVRs average for the whole series and 42 TVRs in the final episode. Its success resulted in the male and the female leads taking the Best Actor and the Best Actress Awards in our *TV Awards Presentation 2009*.

Footnote

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

The Tang Dynasty palace intrigue drama *Beyond the Realm of Conscience* (33 episodes), broadcast in October as part of the station's 42nd anniversary celebration, was our highest-rated drama series since 2005, gaining 35 TVRs[2] average for the whole series and 46 TVRs average in the final episode. This production boasted a year of intensive research, an astounding 258 costumes with elaborate and intricate designs including ornate headpieces, and almost a thousand pieces of dazzling jewelry for the imperial ruler and the four empress households.

The finale of both dramas were celebrated with spectacular fanfare, including shopping arcade audience-artistes screenings, and behind-the-scenes pre-and-post specials as event programming.

Back to contemporary themes, *Burning Flame III* (32 episodes) the third part of the acclaimed series interweaving firefighters' challenges, family relationships and love affairs, succeeded in achieving a remarkable rating of 33 TVRs average. The police drama *E.U.* (30 episodes) launched in February, depicted the odyssey of an undercover agent "Laughing Gor" who fought against triad crime. This series captured the audience's imagination with ratings reaching 30 TVRs average for the whole series. The immense popularity of this drama led to the production of the first spin-off movie *Turning Point* which was a joint venture production between the Shaw group and TVB. This movie debuted in cinemas in August.

The popular sitcom *Off Pedder* (337 episodes) was a staple at the regular 8pm weekday timeslot throughout the year. During the year, TVB co-produced a five-episode series, *ICAC Investigators* with the Independent Commission for Anti-Corruption for the promotion of anti-corruption citing real cases. This programme carried special educational as well as entertainment value.

Non-Drama

Non-drama programmes form the core of the weekday late night and weekend evening timeslots. TVB's non-drama offerings cover a wide range of programmes from topical documentaries to variety shows, chat shows, game shows, travelogues which were capable of engaging and entertaining both the participating artistes and the audience alike.

In addition to TVB's *Anniversary Gala* and *TV Awards Presentation 2009*, two premium documentary series were tailor-made to celebrate the 42nd anniversary. *Being* a 14-part documentary was shot on location in Ethiopia, East Malaysia and China (Beijing) tracing the origin of humanity and civilisation. *That Was Then* drew an indelible collection of photographs and programme clips from our massive archive dating back to 1967, the station's opening year.

Footnote

2 *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.*

We began the year 2009 on a low note as the economy was suffering a downturn. On Jade, special morale-boosting programmes were designed and produced to reinforce a positive attitude in coping with stress and strain of everyday life. Two heart-warming series, *Power Up Hong Kong* and *One From The Heart*, both short format programmes presented by well-known artistes and celebrities, were produced for this purpose.

Jade also introduced a brand new 10-episode documentary series, *A Year To Remember*, which featured a collection of stories from well-known personalities in Hong Kong who gave touching accounts of their experiences and emotional roads during the past year.

Promotion of the green issues remained a high priority item on our agenda. Jade launched an eco-campaign to highlight the global climate change and reinforced the environmental protection messages to the public, using a combination of self-produced and acquired programmes to coincide with the 2009 United Nations Climate Change Conference held in Copenhagen in December.

Two brand new programmes took to the stage during the year. Singer talent contest *The Voice* broadcast on Sunday nights from July provided a nurturing ground for future singing stars. With its initial success, the station co-produced a follow-up 15-episode series with Shenzhen Media Group, turning it into a contest with entries from mainland China, Taiwan and Hong Kong. The programme was also broadcast over mainland China through Shenzhen Media Group's satellite's network. Talk show *Club Sparkle* launched in January, was hosted by Sandra Ng and Chin Ka-lok who interacted with many celebrity guests with media-hungry stories.

TVB and our connoisseur artistes reached out to the world and refreshed our audience with a series of themed lifestyle travelogues for perfect escapist entertainment. *Coffee Confidential* (8 episodes) ventured into Italy, Denmark, Kenya, Indonesia and Taiwan to unfold the lesser known stories of the coffee culture. *Last Paradise* (10 episodes) presented the natural wonders of Finland and Korea. *Sakura Memories* (7 episodes) soaked in the beauty of Japanese cherry blossoms in the spring; and *From City to City* (6 episodes) delved into the rich culture of Germany.

TVB extensively covered the historical 60th Anniversary of the founding of the People's Republic of China in October. The station produced a four-episode prelude series, *60 Years, A Nation* on the development and foundation of modern China. On 1 October, Jade and HD Jade broadcast live *National Day Parade* and *National Day Celebration Gala*, the two spectacular events held in Tiananmen Square, Beijing. At the same time, Pearl provided complementary live telecast of *China National Day Fireworks Display* from Victoria Harbour, Hong Kong. Further on 2 October, Jade carried a 90-minute evening gala, *People's Republic of China National Day Celebration 2009*.

Hong Kong hosted the East Asian Games ("Games") for the first time in December 2009. TVB was selected as an official broadcaster for the event, covering the pre-game events, the countdown show and the opening ceremony (which captured over 1.7 million viewers), together with a selection of the events during the Games, which was broadcast live across Jade, Pearl, HD Jade and J2. The station devoted a total of 86 broadcast hours to provide an extensive coverage of the Games, via live broadcast or recorded highlights, across the terrestrial channels covering a wide audience.

HD Jade Channel

Since service commencement on 31 December 2007, HD Jade has been serving as the showcase channel for both station-produced and acquired programmes in high definition ("HD") format, attracting discerning audience who demand high quality viewing pleasure. With its full 24-hour broadcast schedule, it positions itself as a full time HD channel in Hong Kong.

HD Jade offers a wide range of programmes to suit all tastes. *Money Smart*, a live financial markets programme, provides in depth and up-to-date stock market information during weekday daytime.

Lifestyle programming took centre stage with the launch of the true HD edition of Pearl's own production *Dolce Vita* in October, which was complemented by Asian travelogues *Noodle Road* (6 episodes), filmed in Korea; *See the World* (13 episodes), filmed in Taiwan; and other quality European HD productions.

During weekday evening primetime, HD Jade simulcasts Jade's dramas and news/variety programmes. In addition, HD Jade also broadcast its own acquired Asian HD dramas, such as *Pao, the Judge* (61 episodes), the first ever drama in HD production; *The Sun And The Moon Shine Together* (50 episodes); and a TVBS' production, *I Do?* (20 episodes).

J2 Channel

Since its debut in mid 2008, J2 has positioned itself as an alternative channel for the young and trendy audience, broadcasting both station-produced and acquired programmes.

The latest drama, anime, and international award shows captivated the youthful crowd with hot and current imported Asian dramas such as *Boys Over Flowers* (25 episodes), *Last Friends* (11 episodes) and *K.O. 3 Anguo* (48 episodes), almost day-and-date with the Japanese schedule (only three weeks behind) of the successful anime *Fullmetal Alchemist-Brotherhood*; upbeat international events such as *F1 ROCKS Singapore Western Music Programme*, *Tokyo Real Fashion 2009 A/W*; and the latest award shows such as *Teen Choice 2009*, and *Yahoo! Buzz Awards 2009*.

J2 took steps to engage in key events and entertainment platforms in Hong Kong. It became the official television channel for the 11th ACGHK 2009 (Animation-Comic-Game Hong Kong 2009) and a number of anime series were dedicated to the event with on-stage road shows. J2 also co-produced the talent show *Super Ten* with Commercial Radio Hong Kong, and the show was broadcast cross-platform on both J2 and CR2.

J2 also broadcast a number of important sports programmes, such as *NBA Blog 2009/2010* which complemented Jade and HD Jade, and *AFC Cup 2009*.

Pearl Channel

With an upmarket, trendy and international image, Pearl remains in the lead amongst terrestrial English channels, with a weekly prime time[3] audience share[4] of 75% (2008: 75%). For the fifth consecutive year, Pearl captured all the top-rated 100 programmes on English terrestrial channels.

Starting October, Pearl re-launched its weekday primetime schedule with drama series beginning at 8:30 p.m. and at 10:30 p.m., and documentary series/lifestyle programming beginning at 9:30 p.m., making up a "primetime sandwich" to better complement the audience's viewing patterns.

The station-produced weekly magazine programme *Dolce Vita* grew from strength to strength to become the channel's icon production. It is now also on HD Jade.

Weekend blockbuster movies remained the viewers' favourite. The Harry Potter blockbusters were particularly well-received, with *Harry Potter and the Chamber of Secrets*, taking the top-rated programme on the English terrestrial channels with an average rating of 10.7 TVRs.

Pearl's other first-run blockbuster movies included many more celebrated titles, such as Fox's *Night at the Museum*, *Fantastic Four*, and *Madagascar*. Pearl also aired a series of Chinese movies at the Chinese Cinema Showcase on Saturday late nights, offering a broad range of movies, such as the celebrated and multi-award-winning *Still Life*, *The Road Home*, and *Riding Alone for Thousands of Miles*. Reality shows continued to draw substantial ratings on weekends, in particular, the new seasons of *America's Got Talent*.

On weekdays, imported serial dramas of every genre continued to captivate the audience's attention. These included *House*, the final season of *Prison Break*, *Primeval*, and *24*; and new attractions like *Fringe*, *Castle*, and *The Mentalist*.

A variety of quality documentaries focusing on ecological preservation and environmental protection was offered on Pearl. BBC's *Oceans* led underwater scientific expeditions; *Expedition Guyana* and *Expedition New Guinea* showcased the explorations into final frontiers. *Nature's Great Events* continued to attract high ratings.

Pearl paid tribute to the passing of Michael Jackson and Farah Fawcett in June with special programmes. Pearl also offered a number of local and foreign events to sports fans with cross channel exposure on our digital channels.

Footnotes

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

4 *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, 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[2] (TVR) included analogue broadcast only. From 1 June 2009 onwards, the measurement also include digital broadcast.*

iNews Channel and News Services

TVB continues to strengthen its news services on terrestrial and pay TV channels. The iNews Channel, launched on 1 January 2009, is the only free 24-hour news channel service in Hong Kong, and is also broadcast live on-line through tvb.com. During the year, audience witnessed on-location live reports covered by the station's reporters on many key events around the world which included the riots in Xinjiang, the flood in Taiwan, the 2009 United Nations Climate Change Conference in Copenhagen, and anniversary reports on 60 years of modern China, the aftermath of the Sichuan earthquake, and the 10th Anniversary of Macau's Handover.

The weekday late night schedule on Jade was revamped in February to make way for an extended (from 20 to 45 minutes) *News Round Up* at 11 p.m. which provides a comprehensive and in depth news service featuring local and international news reports, as well as news stories of general interest. A more interactive format between presenters improved the presentation and increased audience's interest and, consequently, the ratings.

HONG KONG PAY TV BUSINESS

Investment in Hong Kong Pay TV Platform

On 16 November 2009, TVB successfully completed a transaction to acquire a total of 336,619,006 non-voting preferred shares in TVBPVH from Enjoy Profits Limited for a cash consideration of HK$212,745,098. As a result, TVB's interest in TVBPVH has risen from 29% to 60%, while its voting interest continues to remain at 15%. For the reason that the Group does not exercise the control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for in the Group, rather than consolidated.

The number of subscribers for the pay TV business continued to improve during the year, generating higher subscription revenue for this business. During the year, TVB's share of the net loss of TVBPVH was HK$65 million (2008: HK$63 million), an increase of 3%.

Supply of Channels to Hong Kong Pay TV Platform

To satisfy viewers with varied interests, TVB provides a well-balanced bundle of pay channels to TVBPV which forms the core channel offerings on its pay TV service. These channels provide a variety of programmes of different genres, using a combination of station-produced and popular acquired programmes targeting a niche group of audience. A total of nine channels are being offered: TVBN and TVBN2 (offering 24 hour news services); TVB Lifestyle, TVB Drama, TVB Classic, TVB Select, TVB Entertainment News, TVB Kids and TVBM.

In an effort to strengthen the channel contents, a new drama channel TVB Select was launched and is being offered as part of the bundle from 30 November 2009. TVB Select assembled flagship drama titles from around Asia, including first-run and most popular TVB titles and the all time drama classics. The Korean big hit *Cruel Temptation* was launched with a bang. On TVB Classic, special titles were freshly repackaged such as *The Supreme Classic*, together with *The Stardust Memories*, and dramas featuring top stars such as Leon Lai and Aaron Kwok.

On TVB Drama, trendy Asian record high ratings hit drama series such as the Korean title *East of Eden* (2008 MBC Drama Awards), *Black & White* (Taiwanese 44th Golden Bell Awards Best Drama), and Japanese title *CHANGE* starring Kimura Takuya (winner of the Best Actor Awards of 57th Television Drama Academy Awards) were offered.

TVB Lifestyle serves to satisfy the needs of audience wanting to enrich their lives with the latest and trendy lifestyle ideas. A new travelogue, *Shanghai Walker* has been added to the current travelogue bundle. New programme *Living Up* which provides on-site tours of luxury residential properties and ideas for home decoration was launched. In *Grab a Bite*, renowned journalist Michelle Lo, with her exquisite taste and unique style, continued to sample new dishes from different restaurants and gather the latest update on various delicacies for our discerning viewers.

Apart from maintaining premiere animation series, two new educational programmes *Keep Up, Level Up* and *Liberal Studies* were tailor-made with local elements to enrich the programming on TVB Kids. *Liberal Studies* covering forums held at elementary schools, aimed at penetrating the local school networks, while *Keep Up, Level Up* provided a comprehensive supplement for learning at home. In addition, *tvbuddy Awards Presentation 2009* was held to stimulate creativity by encouraging kids to create a friend for tvbuddy, and nine lead-in functions TVBuddy Recruitment Day were organised and a highlight programme was telecast.

TVB Entertainment News continues to provide extensive local and international showbiz information and live coverage of local happenings. Red carpet festivities of major international and local film award ceremonies including *The 81st Annual Academy Awards*, *28th Hong Kong Film Awards Presentation*, *The 18th Hong Kong Theatre Awards Ceremony* were covered on this channel.

TVBM channel continues to target the music fans, local and international alike, with programmes such as *Raymond Lam Special, Raymond Lam Concert 2009*, *Lowell Lo Live in Hong Kong 08*, and *Ivana Wong Concert 2008*.

In the coming year, custom-made educational programmes will be the top priority for TVB Kids and more programmes with local flavour will also be produced for TVB Lifestyle.

OTHER HONG KONG OPERATIONS

INTERNET OPERATIONS

During the year, our Internet portal tvb.com continued its growing momentum in gathering page views, and became one of the top ten most popular websites in Hong Kong. It attracted over 7.4 million viewers at its site during the station's anniversary month in November which represented an approximately 155% increase when compared with January 2009.

Recent surveys indicated that among our viewers, 80% are aged below 40, and 53% are based in mainland China and other overseas countries. Our portal has thus become a channel to effectively reach a group of young and overseas viewers, complementing the demographics of TVB channels.

Within the portal, "My TV" and "Artistes" community are two important elements generating very high traffic flow. "My TV" offering enables viewers to view TVB's and our partners' recently broadcast programmes in their entirety, together with behind-the-scene and interview footages. Currently, this service is only open to viewers based in Hong Kong, as we have existing licensing contracts for these programmes in overseas territories.

At year end, over 3,000 hours of TVB programmes and exclusive footages are stored on-line for viewing, and 200 million videos had been served to viewers during the year. Enhanced services include information relating to the locations of restaurants visited and cooking recipes which can easily be accessed via a sophisticated interactive video player.

A strong community has also been developed as we provide forums for our viewers to share their comments. During broadcast of the hit drama *Beyond the Realm of Conscience*, around two million viewers watched a total of 15 millions video streams in "My TV".

The popularity of "My TV" also attracted major advertisers to create special online campaigns to interact and engage our viewers.

To extend the reach of "My TV", we are partnering with four major mobile operators in Hong Kong to launch "My TV" on their 3G platforms for mobile handsets.

The "Artistes" community had grown over 300% in 2009 with four million fans from all over the world visiting every month. Over 200 artistes have created official blogs to share their most updated information, event calendars, photo albums and videos.

As a result of the fast development of "My TV" and "Artistes" community, traffic on tvb.com had grown by more than 250% in 2009. Starting from May 2009, tvb.com has become the number one entertainment portal in Hong Kong as measured by Nielsen Online. This traffic was monetised by offering compelling integrated advertising solutions to advertisers, combining the capabilities of our Internet portal with that of terrestrial and pay TV channels and magazine TVB Weekly.

Increased traffic and encouraging feedback from both viewers and advertisers gave us the confidence that continuing investment in enhancing the portal would benefit our Group, both strategically and financially, in the long run.

MOVIE PRODUCTION

In April, the Shaw group and TVB established a joint venture to produce movies. The first title released to the market in August was *Turning Point*. The movie was well-received. A second movie *72 Tenants of Prosperity* was produced and screened in February 2010. The joint venture plans to produce more movies in the coming year.

MAGAZINE PUBLISHING

TVB publishes TVB Weekly which acts as a promotion vehicle for our station and artistes. The economy downturn in early 2009 adversely affected TVB Weekly's advertising revenue, especially in the first three quarters of 2009.

In order to overcome the negatives and to generate additional revenue, TVB Weekly had joined force with the sales team of TVB and tvb.com in various integrated selling projects. The idea of cross platform advertising was largely welcomed by many major advertisers. We also enhanced our sales marketing projects, such as "TVB Weekly Brands Award", "TVB Weekly Kids Event", to attract more advertisers.

The unique positioning of TVB Weekly attracts a large number of TVB loyal fans and TV lovers. To better promote TVB's new channels to younger audience and trying to reach new advertisers of youth products, we started publishing J2 Magazine in July as a monthly supplement of TVB Weekly.

INTERNATIONAL OPERATIONS

TVB's international businesses, which were mostly licensing and subscription based, were less affected by the economic downturn. Licensing revenue from key markets like Malaysia, Singapore and mainland China remained steady. We also saw signs of recovery in the last quarter of 2009 in some key countries like Malaysia where our advertising revenue was derived.

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution includes the businesses under telecast, video and new media licensing. Revenue from programme licensing and distribution recorded a drop of 8% to HK$668 million during the year. The fluctuation of currency exchange rates eroded our profits from key markets like Malaysia and Singapore albeit steady performance in real terms.

In Malaysia, the economic downturn only had slight impact to our licensing business. Illegal downloading via the Internet and piracy had direct impact on the subscription business of ASTRO All Asia Networks plc ("ASTRO"), our licensee in Malaysia. Our master contracts with ASTRO for provision of content to its Dynasty package expired on 30 September 2009. Both parties agreed to a short term extension of the contracts on existing terms. On 10 March 2010, a new agreement with ASTRO was concluded.

Licensing revenue from StarHub Cable Vision ("StarHub") pay TV business was steady in Singapore. We, on the other hand, recorded revenue decline from free TV due to MediaCorp's tightening of programme acquisition budget.

The Group continued the strategy to widen its coverage in new markets. We cooperated with Taiwan's largest telecommunication company, Chung Hwa Telecom, in a video-on-demand service on its MOD platform which would help to increase our programme exposure in Taiwan. In addition, the launch of a TVB drama channel in collaboration with a prominent Vietnam cable network operator received overwhelming response from both subscribers and advertisers.

In mainland China, demand for quality programmes from TV stations remained strong but the quota for importing programmes was limited. Despite keen competition from TV content providers in the Asia Pacific region, we maintained our leading share in the overall approved imported programmes. To capitalise on the opportunities and the potentials in the expanding market, it was our strategy to co-produce programmes with mainland's TV stations. During the year, a number of co-production projects were completed with success. We will continue to invest in new projects if opportunities arise.

OVERSEAS SATELLITE PAY TV OPERATIONS

Our overseas pay TV businesses in the USA, Australia and Europe performed satisfactorily with steady growth in both subscribers and operating profits. TVB's global coverage and leadership in Chinese programmes production continued to appeal to subscribers and advertisers.

USA

Double-digit subscriber growth was sustained for the three year old TVB Vietnam Channel and the new Mandarin channels package despite very keen competition among the Chinese channel operators.

Australia

We have entered the fast growth stage of the business after nine years of investment. The number of subscribers was maintained even after our fee increase in March. While we continued to use satellite as the primary transmission method to our subscribers, we started to utilise a lower cost IPTV distribution technology to widen our distribution network to service customers who are not reachable by satellite. The response was encouraging.

Europe

To enable The Chinese Channel (TCC) to enhance its service to subscriber, we started our migration from a single channel service to a five-channel platform in 2007. The conversion was successfully completed in December. It not only helped to strengthen our subscriber base at a higher ARPU but also provided us the environment to launch specialty channels like children's channel in future.

TAIWAN

TVBS – Taiwan

Taiwan's economy hit bottom in the first half of the year but the situation began to improve in the third quarter. By the fourth quarter, a recovery was in place and we received a much needed rebound. Revenue for the whole year of HK$630 million was still 13% behind last year. Robust cost control measures were taken throughout the year to overcome the precipitous revenue decline.

Performancewise, TVBS-N, the news channel, remains the bright spot of our Taiwan operation. TVBS-G, the entertainment channel, has seen some programming being revamped in the last quarter. More effort in the overhaul is needed before steady performance can be sustained. TVBS, the talk show oriented channel, continues to be a laggard as uninterested viewers stayed away from political and opinion shows during the recession. We could see a brighter 2010 as both TVBS and TVBS-N are expected to benefit from hotly contested mayoral races in five major cities at the latter part of the year.

Relations across the straits are progressing rapidly with closer economic ties leading the way. Taiwan and mainland China have already signed an MOU to further link their financial industries, and are in advanced negotiation over an Economic Cooperation Framework Agreement (ECFA). These developments are expected to ignite new and significant growth in Taiwan's economy across the board, and TVBS would benefit from any additional advertising spending.

CHANNEL OPERATIONS

TVB8 and Xing He

TVB8 and Xing He channels are the Group's satellite channels in Mandarin targeting subscribers in mainland China. In recent years, TVB8 and Xing He are distributed also to Malaysia, Singapore, and to our overseas satellite pay TV platforms.

The business of TVB8 and Xing He was severely affected by the economic downturn in the first half of the year, but we saw a quick rebound in the last quarter of 2009. The overall performance was satisfactory and revenue was concluded at HK$116 million, representing a decline of 6% from last year.

We remained committed to the strategy of increasing our promotion efforts on TVB8 and Xing He in our key markets. During the year, we collaborated with Shenzhen TV in China in the production of *The Chinese Golden Bell Award for Music – Pop Music Competition* which was endorsed by the Chinese government. The programme was broadcast live to 600 million households in mainland China and overseas audience via TVB8 and Shenzhen TV.

CORPORATE SOCIAL RESPONSIBILITY

TVB is in an advantageous position in Hong Kong's media and entertainment industry to influence, contribute and give back to the community.

TVB Caring Foundation, an internal group formed in 2007 with the mission of "Caring our Staff and Caring our Society", provided regular assistance to different groups of our society with the much needed daily essentials or services. During the year, many events were organised and participated by TVB staff which included food and TV set donations, visits to cage home dwellers, visit to the HKSPC Children and Family Services Centre for the protection of children, organisation of TVB City tours, coastal cleanup, and visit to New Being Fellowship, an anti-drug organisation. These visits helped bridge a caring relationship between TVB and our community.

As noted from a paragraph in section "Non-Drama" under the sub-heading of "Terrestrial TV Channels Performance", TVB responded to the social impact on the economic downturn at the beginning of 2009 in producing a series of mini programmes to foster a positive outlook. *Power Up Hong Kong*, and *One from the Heart* were broadcast during evening primetime, which depicted our artistes' experiences in handling their personal crisis.

As a platform to stage fund raising events, TVB continued to host annual on-the-air charity programmes throughout the year, which included the ever-popular *Tung Wah Charity Show*, *Gala Spectacular*, *Yan Chai Charity Show*, *Community Chest Charity Show*. Not only did the programmes provide the entertainment for our audience, a total of approximately HK$216 million was raised during the year ended 31 December 2009.

Special programming efforts were made to cover the first anniversary of the 2008 Sichuan Earthquake. The station produced a two-hour prime time special *TVB Cares – Remembering Sichuan* in May which gave a report on the rehabilitation work in remote areas of Sichuan. TVB also responded in a timely manner to the tragic flood in Taiwan in August and produced a four-hour charity event *Artistes 88 Fund Raising Campaign* which was organised by Hong Kong Performing Artistes Guild. This campaign raised a total of HK$50.5 million for the victims.

TVB took part in the "Annual Community Chest Walk" to help publicise the event and raise funds and organised various events such as the "Annual Charity Sale of Cookies" in aid of Yan Chai Emergency Assistance Relief Fund which provided emergency assistance to people who had accidents or were in dire need for help, and the TVB Children Festival, an annual summer activity, which was aimed at helping children spend their holidays in a meaningful way as well as enhancing the relationships between parents and their children. TVB also attended the "Prevention of Hillfire and Conservation of Countryside Campaign" and helped raise public awareness on potential hillfire damages.

We will continue to organise and take part in meaningful community and charity activities to further demonstrate the caring spirit of the Group.

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 the funding required by the JV Company. The total capital contribution by the Company is expected not to exceed HK$20 million. Contribution by the Company will be made through internal funding. As at 31 December 2009, HK$7.5 million had been contributed to the JV Company through shareholders' advances.

On 30 June 2009, TVB Satellite TV Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement to acquire 336,619,006 non-voting preferred shares of TVBPVH, representing 31% of the entire issued share capital of TVBPVH, from Enjoy Profits Limited at a cash consideration of HK$212.7 million. This consideration was based on the same valuation of TVBPVH when TVB Satellite TV Holdings Limited sold the 51% interest in TVBPVH to Enjoy Profits Limited and Dr. Charles Chan for HK$350 million in a transaction entered into on 21 April 2005. This acquisition, which increased the Group's economic interest in TVBPVH from 29% to 60%, was completed on 16 November 2009. As the transaction involved only the acquisition of non-voting preferred shares of TVBPVH, TVB's voting interest in TVBPVH remains at 15%. Accordingly, TVBPVH has continued to be treated as an associated company in the Group's financial statements.

Liquidity, Financial Resources and Capital Structure

Despite the volatile operating environment and the uncertainty brought by the global economic crisis, the Group maintains a strong financial position. Total equity stood at HK$5,819 million (2008: HK$5,634 million), representing an increase of approximately 3%. At 31 December 2009, the capital structure of the Company consisted of 438,000,000 ordinary shares of HK$0.05 each.

At 31 December 2009, the Group had bank and cash balances of HK$2,088 million (2008: HK$2,094 million). Approximately 11% of the bank and cash balances were maintained in overseas subsidiaries for their daily operation. Cash and cash equivalent balances at 31 December 2009 amounted to HK$1,894 million, of which 40% was in Hong Kong dollars, 51% in US dollars and 9% in various other currencies.

At 31 December 2009, the Group's net current assets amounted to HK$2,802 million (2008: HK$2,944 million), representing a decrease of approximately 5%. The current ratio, expressed as a percentage of current assets to current liabilities was 4.39 as at 31 December 2009 (2008: 5.34).

During the year, the Group spent HK$284 million (2008: HK$929 million) on capital expenditure, representing a decrease of approximately 69% when compared to that of last year. The significant capital expenditure in 2008 included the purchase of a property as headquarters of TVBS in Taiwan at a cost of approximately HK$662 million.

The Group's total borrowings at 31 December 2009 stood at HK$302 million (2008: HK$319 million) and comprised a secured bank loan, denominated in New Taiwan dollars with floating interest rates. This loan is related to the financing for the headquarters in Taiwan.

At 31 December 2009, the maturity profile of the Group's borrowings was as follows: within one year, HK$23 million (8%); in the second year, HK$23 million (8%); in the third to fifth years, HK$68 million (22%); over five years, HK$188 million (62%). At 31 December 2009, the gearing ratio, expressed as a ratio of gross debts to total equity, was 5% (2008: 6%).

At 31 December 2009, certain assets of a subsidiary of the Group with net asset value of HK$773 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposit balance of HK$7 million was pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

The capital commitments of the Group at 31 December 2009 amounted to HK$390 million (2008: HK$422 million).

Tax Audit

The Group had received protective profits tax assessment notices from the IRD 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 has objected. Out of the total tax demanded, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$24 million, HK$24 million, HK$20 million, HK$35 million 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 has filed objections to these assessments, and is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

Subsequently, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2003/04 in February 2010 with a total tax demand of HK$207 million. The Group is in the process of objecting to these assessments and applying for holding over of the tax.

As a result of the recent exchange of information and discussion with the IRD during the year, Management obtained the IRD's initial view of the case and considered that a provision of HK$102 million against the tax exposures under question to be appropriate at 31 December 2009.

Contingent Liabilities

At 31 December 2009, there were guarantees given to banks amounting to HK$10 million (2008: HK$10 million) for banking facilities granted to an investee company.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

The Group is also exposed to currency fluctuations 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 4,252 (2008: 4,525) full-time employees at 31 December 2009.

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 27% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. A majority of the qualified personnel received discretionary bonuses equivalent to one half of their monthly basic salaries for the year 2009.

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$1.35 per share for the 438,000,000 ordinary shares in issue of HK$0.05 each in respect of the year ended 31 December 2009. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 May 2010 ("AGM"), the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 26 May 2010. The dividend warrants will be despatched to shareholders on or around 2 June 2010.

Together with an interim dividend of HK$0.25 per share paid on 28 September 2009, the total dividend for the year will amount to HK$1.60 per share (2008: HK$1.70 per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 5 May 2010 to Wednesday, 26 May 2010, 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 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, 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, 4 May 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The Company first adopted its own code on corporate governance ("TVB CG Code") in 2005. It was subsequently superseded by a revised TVB CG Code adopted on 11 November 2009 ("TVB CG Code 2009") which includes amendments to TVB CG Code of a house-keeping nature, bringing the TVB CG Code in line with 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").

TVB CG Code 2009 is in compliance with all the code provisions of the CG Code, save that the Chairman is not subject to retirement (as required under code provision A.4.2). Pursuant to Article 114(C) of the Articles of Association of the Company ("Articles"), the Chairman is exempted from retirement. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business.

Throughout 2009, the Company fully complied with all code provisions set out in the CG Code, except that the Chairman is exempted from retirement for the reason as above mentioned.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

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

During the year, the Board has adopted a revised Model Code including the amendments in relation to the extensions of the black-out period before the dates of publication of annual and interim results, following the amendments to the Listing Rules.

Ms. Vivien Chen Wai Wai, who was appointed as an Independent Non-executive Director of the Company on 1 September 2009, confirmed, following specific enquiry by the Company, that she had complied with the Model Code throughout the period between 1 September 2009, the date of her appointment, and 31 December 2009.

Dr. Li Dak Sum, who retired as an Independent Non-executive Director of the Company on 20 May 2009, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1 January 2009 and 20 May 2009.

Mr. George Chan Ching Cheong, who retired as an Assistant Managing Director of the Company on 31 July 2009, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1 January 2009 and 31 July 2009.

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 2009.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with Management and the Group's auditors, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual consolidated financial statements for the year ended 31 December 2009 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 2009 have been agreed by the Group's auditors, PricewaterhouseCoopers.

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

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

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

On 11 March 2010, four employees of the Group were involved in an investigation conducted by Independent Commission Against Corruption in respect of certain alleged corrupt practice ("investigation"). The Company wishes to confirm that it is not aware of material misstatement to the consolidated financial statements of the Group for the year ended 31 December 2009 as a result of this investigation.

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.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with Article 109 of the Articles, Ms. Vivien Chen Wai Wai and Mr. Mark Lee Po On, who were appointed by the Board as an Independent Non-executive Director and as an Executive Director of the Company effective on 1 September 2009 and 24 March 2010 respectively, shall hold offices until the AGM and being eligible, offer themselves for election at the AGM.

In accordance with Article 114(A) of the Articles, Dr. Norman Leung Nai Pang and Mr. Edward Cheng Wai Sun shall retire at the AGM and being eligible, offer themselves for re-election at the AGM.

Details of the Directors, subject to retirement for election or re-election at the AGM, are set out in the notice of the AGM that will be sent together with the Company's 2009 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 2009 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in April 2010.

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, 26 May 2010 at 11:00 a.m.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 24 March 2010

As at the date of this announcement and immediately following the appointment of Mr. Mark Lee Po On as an Executive Director of the Company on 24 March 2010, the Board of the Company comprises:

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

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