Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2010 INTERIM RESULTS

HIGHLIGHTS

- Turnover increased from HK$1,754 million to HK$2,109 million, an increase of 20%.
- Total costs remained stable at HK$1,332 million (2009: HK$1,330 million).
- Profit attributable to equity holders increased from HK$330 million to HK$584 million, and earnings per share increased from HK$0.75 to HK$1.33, an increase of 77%.
- Interim dividend was declared at HK$0.35 per share (2009: HK$0.25 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 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited	
		Six months ended 30 June	
	Note	**2010**	2009
		HK$'000	*HK$'000*
Turnover	*3*	**2,108,619**	1,754,296
Cost of sales		**(849,671)**	(853,692)
Gross profit		**1,258,948**	900,604
Other revenues	*4*	**11,192**	12,454
Selling, distribution and transmission costs		**(237,271)**	(218,175)
General and administrative expenses		**(245,109)**	(257,994)
Other gains, net		**9,448**	1,592
Finance costs		**(1,947)**	(2,303)
Share of profit/(losses) of			
Jointly controlled entity		**2,519**	–
Associates		**(47,220)**	(30,155)
Profit before income tax	*5*	**750,560**	406,023
Income tax expense	*6*	**(165,929)**	(75,799)
Profit for the period		**584,631**	330,224
Profit/(loss) attributable to:			
Equity holders of the Company		**584,437**	330,264
Non-controlling interests		**194**	(40)
		584,631	330,224
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	*7*	**HK$1.33**	HK$0.75
Dividends	*8*	**153,300**	109,500

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period	**584,631**	330,224
Other comprehensive income:		
Currency translation differences	**3,697**	(6,613)
Other comprehensive income for the period	**3,697**	(6,613)
Total comprehensive income for the period	**588,328**	323,611
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**588,111**	323,660
Non-controlling interests	**217**	(49)
	588,328	323,611

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	30 June 2010 Unaudited HK$'000	31 December 2009 Audited HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,457,258**	2,549,087
Goodwill		**163,910**	163,248
Interests in jointly controlled entity		**18,750**	7,500
Interests in associates	*9*	**629,867**	675,830
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**17,224**	17,995
Total non-current assets		**3,287,012**	3,413,663
Current assets			
Programmes and film rights		**335,856**	366,133
Stocks		**11,127**	13,056
Trade and other receivables, prepayments and deposits	*10*	**1,380,746**	1,152,715
Tax recoverable		**4,845**	2,802
Pledged bank deposits		**6,263**	7,002
Bank deposits maturing after three months		**197,596**	194,179
Cash and cash equivalents		**1,885,321**	1,893,586
Total current assets		**3,821,754**	3,629,473
Total assets		**7,108,766**	7,043,136
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**21,900**	21,900
Other reserves	*13*	**738,607**	723,094
Retained earnings			
– Interim/final dividend	*8*	**153,300**	591,300
– Others		**4,876,395**	4,457,097
		5,790,202	5,793,391
Non-controlling interests		**25,451**	25,234
Total equity		**5,815,653**	5,818,625

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AS AT 30 JUNE 2010

	Note	**30 June 2010 Unaudited** *HK$'000*	31 December 2009 Audited *HK$'000* (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**220,747**	279,030
Deferred income tax liabilities		**121,631**	111,713
Retirement benefit obligations		**5,990**	6,706
Total non-current liabilities		**348,368**	397,449
Current liabilities			
Trade and other payables and accruals	*12*	**675,370**	640,153
Current income tax liabilities		**246,465**	164,131
Borrowings	*11*	**22,910**	22,778
Total current liabilities		**944,745**	827,062
Total liabilities		**1,293,113**	1,224,511
Total equity and liabilities		**7,108,766**	7,043,136
Net current assets		**2,877,009**	2,802,411
Total assets less current liabilities		**6,164,021**	6,216,074

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 2010 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 2010 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 2010 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 2009, 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 2009, 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 2010 and are relevant to its operation.

	HKAS 7 (amendment)	Statement of cash flow
*	HKAS 17 (amendment)	Leases
	HKAS 18 (amendment)	Revenue
	HKAS 27 (revised)	Consolidated and separate financial statements
	HKAS 36 (amendment)	Impairment of assets
	HKAS 38 (amendment)	Intangible assets
	HKFRS 3 (revised)	Business combinations
*	HKFRS 8 (amendment)	Operating segments

* represented the amendments to existing HKFRS under the HKICPA Annual Improvements Project published in 2009

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

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified leasehold land from operating lease to finance lease. Comparative information has been restated to reflect this change in accounting policy.

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

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Decrease in leasehold land	**203,466**	208,922
Increase in property, plant and equipment	**203,466**	208,922

There is no impact upon the reported income for the current or prior periods.

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the unexpired term of the lease.

The adoption of the other new or revised standards and amendments to standards do not have material financial effect on the Group's results and financial position for current or prior periods.

The Group has not early adopted 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 2010. 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

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.

The segments are managed separately according to the nature of products and services provided. Segment performance is evaluated based on operating results which in certain respect, as explained in the table below, is measured differently from the profit before income tax in the condensed consolidated financial 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 2010								
Turnover								
External customers	**1,109,912**	**276,741**	**182,521**	**344,909**	**153,457**	**41,079**	**–**	**2,108,619**
Inter-segment	**5,113**	**60,260**	**177**	**2,661**	**7,606**	**3,376**	**(79,193)**	**–**
Total	**1,115,025**	**337,001**	**182,698**	**347,570**	**161,063**	**44,455**	**(79,193)**	**2,108,619**
Reportable segment profit	**402,793**	**197,974**	**54,253**	**103,587**	**42,683**	**(6,029)**	**–**	**795,261**
Interest income	**4,320**	**444**	**68**	**217**	**–**	**114**	**–**	**5,163**
Finance costs	**–**	**–**	**–**	**(1,947)**	**–**	**–**	**–**	**(1,947)**
Depreciation	**(101,760)**	**(1,649)**	**(2,507)**	**(20,678)**	**(77)**	**(4,427)**	**–**	**(131,098)**
Additions to non-current assets*	**20,304**	**325**	**1,043**	**3,395**	**3**	**9,779**	**–**	**34,849**
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	(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

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

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

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Reportable segment profit	**795,261**	436,178
Share of profit of a jointly controlled entity	**2,519**	–
Share of losses of associates	**(47,220)**	(30,155)
Profit before income tax	**750,560**	406,023

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**1,255,440**	978,179
Taiwan	**347,937**	299,080
USA and Canada	**116,786**	107,497
Australia	**54,741**	43,982
Europe	**34,225**	38,916
Mainland China	**85,756**	88,037
Malaysia and Singapore	**200,512**	185,290
Other countries	**13,222**	13,315
	2,108,619	1,754,296

4. **Other revenues**

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interest income	**5,163**	7,196
Others	**6,029**	5,258
	11,192	12,454

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	
	2010	2009
	HK$'000	*HK$'000*
Depreciation	**131,098**	141,695
Costs of programmes, film rights and stocks	**570,900**	582,185
Net exchange gain	**(9,448)**	(1,592)

6. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong	**119,531**	45,442
– Overseas	**35,486**	29,118
– (Over)/under provisions in prior periods	**(213)**	2,386
Deferred income tax:		
– Origination and reversal of temporary differences	**11,125**	(1,147)
	165,929	75,799

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

Note:

The Group had received protective profits tax assessment notices from the Inland Revenue Department of Hong Kong ("IRD") for the six consecutive years of assessment from 1998/99 to 2003/04 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$23,990,000, HK$23,561,000, HK$20,205,000, HK$35,028,000, HK$49,365,000 and HK$53,809,000 for the six consecutive years of assessment from 1998/99 to 2003/04 respectively, 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, HK$159,902,000 and HK$152,722,000 for the six consecutive years of assessment from 1998/99 to 2003/04 respectively. The Group is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

In 2009, Management had obtained the IRD's initial view of the case and made a provision of HK$102,000,000 against the tax exposures under question.

7. **Earnings per share**

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$584,437,000 (2009: HK$330,264,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2010 and 2009. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. **Dividends**

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interim dividend, declared after the end of the reporting period, of HK$0.35 (2009: HK$0.25) per ordinary share	**153,300**	109,500

Final dividend of HK$1.35 per ordinary share for the year ended 31 December 2009 amounting to HK$591,300,000 was approved by shareholders on 26 May 2010 and paid on 2 June 2010.

9. Interests in associates

	30 June 2010 HK$'000	31 December 2009 HK$'000
Investment costs	**528,872**	528,872
Less: Accumulated share of losses	**(621,856)**	(574,636)
	(92,984)	(45,764)
Loans to associates	**719,212**	719,212
Interest receivables from associates	**3,639**	2,382
	629,867	675,830
Unlisted shares, at cost	**528,872**	528,872

10. Trade and other receivables, prepayments and deposits

	30 June 2010 HK$'000	31 December 2009 HK$'000
Receivables from:		
Jointly controlled entity	**1,323**	939
Associates	**268,859**	187,614
Related parties	**110,712**	69,251
Trade receivables *(note)*	**900,395**	860,238
	1,281,289	1,118,042
Less: provision for impairment loss of receivables from:		
Associates	**(136,622)**	(136,668)
Third parties	**(101,547)**	(106,625)
Other receivables, prepayments and deposits	**131,668**	125,817
Tax reserve certificates *(Note 6)*	**205,958**	152,149
	1,380,746	1,152,715

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 30 June 2010 and 31 December 2009, the aging analysis of the trade receivables including trading balances due from jointly controlled entity, associates and related parties is as follows:

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Current	**455,497**	429,077
1-2 months	**243,857**	202,915
2-3 months	**160,424**	132,257
3-4 months	**109,284**	103,082
4-5 months	**33,873**	39,067
Over 5 months	**278,354**	211,639
	1,281,289	1,118,037
Trade receivables due from:		
Third parties	**900,395**	860,238
Jointly controlled entity, associates and related parties	**380,894**	257,799
	1,281,289	1,118,037
Non-trading amounts due from associates	**–**	5
	1,281,289	1,118,042

11. Borrowings

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Bank borrowings:		
Non-current	**220,747**	279,030
Current	**22,910**	22,778
Total bank borrowings	**243,657**	301,808

12. Trade and other payables and accruals

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Trade payables to:		
Associates	**2,121**	2,395
Related parties	**2,471**	5,314
Third parties	**55,686**	72,091
	60,278	79,800
Other payables and accruals	**615,092**	560,353
	675,370	640,153

At 30 June 2010 and 31 December 2009, the aging analysis of the trade payables including trading balances due to associates and related parties is as follows:

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Current	**37,622**	49,672
1-2 months	**17,546**	19,195
2-3 months	**3,404**	6,433
3-4 months	**392**	690
4-5 months	**281**	2,198
Over 5 months	**1,033**	1,612
	60,278	79,800

13. 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 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
Currency translation differences:							
– Group	–	–	–	–	–	13,951	13,951
Transfer from retained earnings	–	–	–	1,199	–	–	1,199
Balance at 31 December 2009	602,026	70,000	864	82,298	40,118	(72,212)	723,094
Balance at 1 January 2010	602,026	70,000	864	82,298	40,118	(72,212)	723,094
Currency translation differences:							
– Group	–	–	–	–	–	3,674	3,674
Transfer from retained earnings	–	–	–	11,839	–	–	11,839
Balance at 30 June 2010	**602,026**	**70,000**	**864**	**94,137**	**40,118**	**(68,538)**	**738,607**

INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK$0.35 per share for the 438,000,000 ordinary shares in issue of HK$0.05 each in respect of the six month ended 30 June 2010. The interim dividend will be payable in cash to shareholders whose names are recorded on the Register of Members of the Company on 17 September 2010. The dividend warrants will be despatched to shareholders on or around 22 September 2010.

REVIEW OF OPERATIONS

OPERATING RESULTS FOR THE PERIOD

For the six months ended 30 June 2010 ("Period"), the Group recorded a turnover of HK$2,109 million (2009: HK$1,754 million), representing an increase of 20% over the same period of last year. Cost of sales amounted to HK$850 million (2009: HK$854 million), representing a decrease of 1% over the same period of last year. Gross profit for the Period stood at HK$1,259 million (2009: HK$900 million).

Included in cost of sales were the cost of programmes, film rights and stocks for the Period which amounted to HK$571 million (2009: HK$582 million), representing a decrease of 2% over the same period of last year.

Selling, distribution and transmission costs for the Period amounted to HK$237 million (2009: HK$218 million), an increase of 9% over the same period of last year.

General and administrative expenses for the Period amounted to HK$245 million (2009: HK$258 million), representing a decrease of 5% over the same period of last year.

The Group's share of the losses of an associate, TVB Pay Vision Holdings Limited ("TVBPVH"), increased from HK$30 million to HK$47 million[1] for the Period as the percentage of share of losses increased from 29% to 60% upon the completion of the acquisition of an additional 31% equity interests in TVBPVH on 16 November 2009.

Overall, the Group's profit attributable to equity holders amounted to HK$584 million (2009: HK$330 million), representing an increase of 77% over the same period of last year. The earnings per share was HK$1.33 (2009: HK$0.75).

---

1 Upon the completion of the acquisition of an additional 31% equity interests in TVBPVH on 16 November 2009, TVB's interest in TVBPVH had 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.

HONG KONG TERRESTRIAL TV BROADCASTING

ADVERTISING REVENUE

The bottoming out of the recession in advertising spending began in the last quarter of 2009 and led to a very rapid recovery in advertising spending in the first half of 2010.

Compared with the first half of 2009, revenue from Hong Kong terrestrial TV broadcasting for this first half grew by 34% to HK$1,115 million which represented the return to the level achieved in the pre-financial crisis periods. This growth rate of 34% is understandably high as the first half of 2009 represented the trough of the post-financial crisis advertising recession.

The three main factors contributing to this strong revenue performance were: firstly, strong spending growth was experienced in the categories of skin care and milk powder; secondly, continued steady moderate to strong growth was experienced in supermarket and insurance categories, as well as in cameras, movies, personal cleaning products, and mobile phone/ equipment categories; and thirdly, revenue performance was also helped by a return to normal levels of spending in the important banks and finance companies categories which suffered major declines in 2009.

During this Period, we also made progress in the integrated selling of our newer media properties consisting of tvb.com, J2, HD Jade, iNews and the pay TV channels.

TERRESTRIAL TV CHANNELS' PERFORMANCE

During the first half year of 2010, TVB continued to attain a majority audience share[2] in the terrestrial free TV market. Total Jade[3] (in Cantonese) achieved an average of 85% share (2009 Jan-Jun: 84%) during weekday primetime[4]; and Pearl (in English) achieved an average of 74% share (2009 Jan-Jun: 72%) during weekly primetime[5].

TVB continued to utilise its line up of self-produced dramas during the primetime on Jade and HD Jade. Among the self-produced drama series, *The Mysteries of Love*, which starred Raymond Lam Fung and Tarvia Yeung Yi, was the most well-received. This series achieved 32 TVRs[6] and a 92% share on average, with the rating for the finale soared to 38 TVRs, representing a 92% share. The other successful drama series during the Period included *A Watchdog's Tale, A Fistful of Stances,* and *Ghost Writer.*

---

2 Audience Share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period of time. The base Chinese channels are Total Jade (Jade and HD Jade) and Asia Television Limited's Home. The base English channels are Pearl and Asia Television Limited's World. From 1 June 2009 onwards, measurement of TV ratings[6] (TVR) included both analogue and digital broadcast.

3 Total Jade is defined as the aggregate of Jade and HD Jade.

4 Jade's weekday primetime runs from 7 p.m. to 11 p.m.

5 Pearl's weekly primetime runs from 7 p.m. to midnight.

6 TV rating (TVR) represents the size of audience expressed as a percentage of the total TV population. For 2010, the TV population was 6,374,000, and therefore, 1 TVR represents 63,740 viewers (1% of the TV population). Ratings data source: CSM Media Research.

The daily half hour situation comedy named *Off Pedder* drew to a close in February with an average rating of 26 TVRs, representing an 85% share. It was followed by the hilarious six episode comedy series *Don Juan DeMercado* which celebrated the station's "Season of Love" campaign as part of a "Double Valentines" period from February 14 to the Japanese Valentine's Festival, White Day (March 14). In June, a new situation comedy named *Some Day* with a strong cast debuted, which averaged to date 24 TVRs, representing an 85% share.

In the non-drama category, a new variety show *Fun with Liz and Gods* which was broadcast during Saturdays' primetime starred the famous Liza Wang and the trio Wong Cho Nam, Johnson Lee Sze Chit and Yuen Siu Cheung. This programme became an instant talk-of-the town, achieving 26 TVRs and an 88% share. A brand new season of *Super Trio GameMaster*, the long-running game show, was launched in April which achieved an average of 28 TVRs and an 85% share in the second quarter. Gourmet series *Admiral's Feasts*, which was hosted by a renowned chef, captured an average of 24 TVRs and an 84% share. The finale of the singer talent contest *The Voice* which was concluded in February, generated 24 TVRs and an 89% share.

TVB continued to bring key world events to our local audience. Jade and HD Jade broadcast live the *Shanghai Expo 2010 – Opening Ceremony* on 30 April 2010 which attracted 24 TVRs and followed by a series of related programmes including *Shanghai Delicacy Exposed* (local cuisine), *Go! EXPO* (tours of various pavilions) and *The All Star Celebrity Expo* (variety shows).

Although the station was only granted limited right to broadcast the 2010 FIFA World Cup matches, the opening match (live) and four group matches, daily highlights and HD Jade for the semi-finals (live) and the final (live) were brought to our audience on the digital channels. TVB despatched the only TV station crew from Hong Kong to Cape Town and Johannesburg to produce an infotainment series *2010 Soccer Fever – South Africolours* to highlight the World Cup atmosphere, and provide daily updates from South Africa for Jade, Pearl and J2. A live talk show on Jade, *2010 Soccer Fever – Get It On*, featured celebrity guests and commentators' daily analysis of the matches, and three gala events of *2010 Soccer Fever – Let's Party* served as lead-in to the semi-finals and the final.

Movies on Pearl continued to be its main attraction. The mega movie *Mission: Impossible III* was top-rated with 8 TVRs; and the other blockbusters which included *Die Hard 4.0, Transporter 2* and *Stealth*, achieved 7 TVRs. Pearl featured nine Valentine movies as part of the station's "Season of Love" campaign. To enhance our competitive edge on the drama front, a new drama series *FlashForward* was telecast just weeks after its U.S. debut. New seasons of *Fringe* (the highest-rated drama), *House* and *24* continued to captivate their fans. The ever popular *Breaking the Magician's Code Magic's Biggest Secrets Finally Revealed* returned in June with a brand new season, capturing 5 TVRs. *Dolce Vita* remains Pearl iconic self-produced lifestyle magazine show and has a Cantonese version on HD Jade which is also popular.

HD Jade continued to deliver impressive audio and visual enjoyment to audience who sought the full high definition ("HD") experience. Apart from simulcasting Jade's primetime line-up, HD programming such as acquired dramas *Dwelling Narrowness* (from mainland China) and *Change*, documentaries and sports events, like NBA continued to appeal to the discerning viewers.

For J2, two new station-produced programmes were introduced early in the year – *Big Boys Club*, which is a talk show hosted by young artistes, and *The Session*, which takes a closer look at the contestants in their preparation for the talent singing competition *The Voice (Sr.2)*.

DIGITISATION

Compared to the end of 2009, digital terrestrial TV ("DTT") household penetration (including PC-based receivers) grew by 6.8 percentage points from 46.5% to 53.3% as at 30 June 2010, which was fuelled mainly by consumers buying flat screen TVs, now equipped with integrated digital receivers. Falling prices of such TVs will continue to fuel DTT adoption.

The work of building fill-in stations to extend coverage to the 90% level continues with good progress being made in completing the 8 fill-in stations scheduled for 2010.

Work is in progress to construct an electronic archive for storage and retrieval of self-produced television programmes in digital format.

HONG KONG PAY TV BUSINESS

INVESTMENT IN PAY TV PLATFORM

TVB has a 60% equity interest in the shares of TVBPVH, while its voting interest remains at 15%. For the reason that the Group does not exercise the control over TVBPVH, the income statement and statement of financial position of TVBPVH are equity accounted for in the Group, rather than consolidated. During the Period, TVB shared a net loss of HK$47 million (2009: net loss of HK$30 million).

The market for Pay TV in Hong Kong remains extremely competitive as the three major operators, namely now TV, i-cable and TVB Pay Vision ("TVBPV"), offer pay channels with different nature and contents, and compete fiercely for subscribers in a small market. TVBPVH adopts a strategy to provide locally produced programmes, and contents from the rich TVB library.

SUPPLY OF CHANNELS TO PAY TV PLATFORM

TVB continues to supply, on a non-exclusive basis, a total of nine channels to TVBPV which include three drama channels (TVB Select, TVB Drama, TVB Classics), four entertainment channels (TVB Lifestyle, TVB Kids, TVB Music, TVB Entertainment News), and two news channels (TVBN and TVBN2) under a channel supply agreement. This supply constitutes the largest single supplier of channels to TVBPV.

OTHER HONG KONG OPERATIONS

INTERNET OPERATIONS

Equipped with its rich programme offerings and web contents, our Internet platform tvb.com continued its growing momentum in gaining viewership. In June 2010, it attracted approximately five million unique viewers[7], which represented a 35% growth when compared with June 2009. Over 100 million video of programmes[7] were served during the Period, representing a 130% growth over last year. It attracted brand advertisers to leverage on our platform in targeting their audiences.

---

7 Source: Nielsen Online

Independent research showed that 80% of our audience are aged below 40. With a young audience profile, we are experimenting with *The Perfect Match*, an online dating show shown over tvb.com and J2, to engage and interact with our audience.

Plans are being worked on to extend tvb.com services overseas. To provide overseas web surfers with a choice of soundtrack, tvb.com streamed a station-produced commentary soundtrack of the World Cup Final match in July. The live video commentary was streamed over the Internet and attracted approximately 500,000 viewers over 50 countries. This had proven that tvb.com had reached out to countries which we do not have any market presence.

To expand our business further, we will focus on growing our advertising revenue by developing more competitive offering and will, at the same time, look for additional revenue sources.

MOVIE PRODUCTION

Movie *72 Tenants of Prosperity* was screened during the Chinese New Year holiday period in February this year at a time when a number of major films were on screen. Despite the heated competition, this movie generated encouraging box office takings in Hong Kong and secured a number of important distribution agreements worldwide. A second movie, *The Jade and the Pearl*, which was produced under a joint venture between TVB, the Shaw group and the Emperor group, was released to the market in August.

MAGAZINE PUBLISHING

The first half of 2010 was a rebuilding period for TVB Weekly. Magazine sales dropped 5%, yet advertising revenue increased 14% comparing to first half of 2009.

We continued to develop creative sales events and integrated marketing projects. TVB Weekly's cover sponsorship was largely welcomed by advertisers and generated significant advertising revenue.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Total revenue from programme licensing and distribution rose 3% from HK$328 million last year to HK$337 million during the Period. Revenue contributions from traditional telecast markets including Malaysia and Singapore, and mainland China remained strong. After many months of negotiation, we successfully renewed during the Period the master programme licensing agreements in Malaysia and Singapore.

In Malaysia, a three-year deal with ASTRO All Asia Networks plc was concluded based on constructive terms which catered for the mutual benefits of both enterprises. More value-added contents, namely new channels TVB Classic and TVB E-News and dramas in HD, are being provided to strengthen TVB's position in the market. These new offerings are set to appeal to the high income audience and the advertisers.

In Singapore, the master agreements with StarHub Cable Vision Ltd. were renewed for three years. According to the new agreement, a total of twelve channels are being supplied to StarHub on an exclusive basis with the addition of four new channels. This reaffirmed our leadership position as the Chinese TV content provider in the market.

In Vietnam, we launched a Vietnamese dubbed drama channel on the largest pay TV network in Ho Chi Minh City in the fourth quarter of 2009. The channel has fast become one of the most watched channels in Vietnam. Leveraging on the success of this partnership, we are committing resources to further expand our coverage in this growing market.

In mainland China, we revamped our digital media business with a new collaboration with a new business partner to explore Internet TV and IPTV markets. This cooperation has not only provided better licensing income to the Company but could also enhance our knowledge and understanding of the markets. We are formulating a new marketing strategy to better develop this market.

OVERSEAS SATELLITE PAY TV OPERATIONS

All the overseas pay TV platforms recorded significant growth with the aggregate net profit after tax growing 77% from same period of last year. In the USA, we successfully raised the subscription fee by 8% starting in March this year with minimal subscriber churn. In Australia, we recorded good profit growth which was mainly attributable to the substantial increase in TV advertising. In Europe, higher ARPU from multi-channel subscription helped boost the bottom line.

TAIWAN OPERATIONS

TVBS – Taiwan

The strongly rebounded economy of Taiwan made a difference to the financial performance of TVBS during the first half of 2010. Revenue was HK$347 million which represented an increase of over 16%, when compared with the same period in 2009.

The Economic Cooperation Framework Agreement ("ECFA"), a bilateral agreement between Taiwan and mainland China, was passed by the Legislative Yuan of Taiwan on 17 August 2010. It is hoped that the ECFA which offers business and employment opportunities to Taiwan will further stimulate the economic performance of Taiwan when it is implemented. Further, TVBS is well-positioned to benefit from the advertising revenues in respect of municipal elections of the 5 metropolitan cities scheduled in the fourth quarter of the year.

CHANNEL OPERATIONS

TVB8 and Xing He

The overall performance of TVB8 and Xing He channels was satisfactory in the first half of 2010. Out of the three key markets of Malaysia, Singapore and mainland China, Malaysia and Singapore remain the core markets. The businesses in these markets have resumed to normal after the economic downturn in 2009. During the Period, total revenue was HK$56 million, which was 4% better than same period of last year.

As the landing rights in mainland China are restricted under licences to hotels and service apartments, distribution of these channels remains limited. During the first half of 2010, resources were allocated in promotion of the Shanghai World Expo with a series of programmes being produced. They were broadcast on TVB8 to overseas countries and were well received by the audience.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position. At 30 June 2010, total equity stood at HK$5,816 million (31 December 2009: HK$5,819 million).

The Group had bank deposits and cash balances of HK$2,083 million at 30 June 2010 (31 December 2009: HK$2,088 million). About 19% 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$2,877 million (31 December 2009: HK$2,802 million), representing an increase of 3% over the last year-end. The current ratio, expressed as a percentage of current assets to current liabilities, was 4.05 at 30 June 2010 (31 December 2009: 4.39).

The Group's total bank borrowing at 30 June 2010 was HK$244 million, which is secured, denominated in New Taiwan dollars and is bearing interest at floating rates. The maturity profile of the Group's borrowings was as follows: within one year, HK$23 million (9%); in the second year, HK$23 million (9%); in the third to fifth years, HK$69 million (29%); over five years, HK$129 million (53%). At 30 June 2010, the gearing ratio, expressed as a ratio of gross debts to total equity, stood at 4% (31 December 2009: 5%).

As 30 June 2010, certain assets of a subsidiary of the Group with net asset value of HK$771 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits of HK$6 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group.

As 30 June 2010, capital commitments of the Group amounted to HK$355 million (31 December 2009: HK$390 million), representing a decrease of 9%.

TAX AUDIT

The Group had received protective profits tax assessment notices from the IRD for the six consecutive years of assessment from 1998/99 to 2003/04 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 had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$24 million, HK$24 million, HK$20 million, HK$35 million, HK$49 million and HK$54 million for the six consecutive years of assessment from 1998/99 to 2003/04 respectively, whereas unconditional holdovers had been granted for the remaining tax demanded of HK$74 million, HK$75 million, HK$66 million, HK$110 million, HK$160 million and HK$153 million for the six consecutive years of assessment from 1998/99 to 2003/04 respectively. The Group is of the view that all or some of the tax reserve certificates purchased for holding over the tax would be recoverable.

In view of the tax challenged by the IRD, the Group had made a provision of HK$102 million in 2009 against the tax exposures under question. Management will continue to monitor the status of discussions with the IRD and to assess the adequacy of the level of provision against this tax audit.

CONTINGENT LIABILITIES

At 30 June 2010, there were guarantees given to bank amounting to HK$10 million (31 December 2009: HK$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign 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.

HUMAN RESOURCES

At 30 June 2010, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,155 full-time employees (31 December 2009: 4,252).

About 27% of the Group's manpower is employed in overseas subsidiaries and is paid on a scale and system appropriate 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

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.

During the Period, the Company was in compliance with all code provisions of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for one of the code provisions that the Chairman is not subject to retirement (as required under code provision A.4.2) pursuant to Article 114(C) of the Company's Articles of Association. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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.

All of the Directors and Senior Management confirmed that, following specific enquiries by the Company, they had complied with the Model Code during 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 Wednesday, 15 September 2010 to Friday, 17 September 2010, both dates inclusive, for the purpose of determining shareholders' entitlements to the interim dividend, and during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, 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, 14 September 2010 for registration.

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 2010 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in early September 2010.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 18 August 2010

As at the date of this announcement, 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