Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2014 INTERIM RESULTS

HIGHLIGHTS

- Turnover increased from HK$2,592 million to HK$2,700 million, an increase of 4%.
- Total costs increased from HK$1,663 million to HK$1,839 million, an increase of 11%.
- Profit attributable to equity holders decreased from HK$770 million to HK$700 million, and earnings per share decreased from HK$1.76 to HK$1.60, a decrease of 9%.
- Interim dividend was declared at HK$0.60 per share (2013: HK$0.60 per share).

The Board of Directors ("Board") of Television Broadcasts Limited ("Company" or "TVB") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	**Unaudited Six months ended 30 June 2014 HK$'000**	2013 HK$'000
Turnover	3	**2,699,825**	2,592,084
Cost of sales		**(1,149,746)**	(1,029,774)
Gross profit		**1,550,079**	1,562,310
Other revenues	4	**40,718**	28,607
Selling, distribution and transmission costs		**(316,212)**	(297,760)
General and administrative expenses		**(373,514)**	(335,522)
Other (losses)/gains, net		**(7,421)**	10
Finance costs		**(1,786)**	(1,064)
Share of losses of:			
Joint ventures		**(5,441)**	(2,204)
Associates		**(42,310)**	(24,763)
Profit before income tax	5	**844,113**	929,614
Income tax expense	6	**(143,143)**	(150,724)
Profit for the period		**700,970**	778,890
Profit attributable to:			
Equity holders of the Company		**700,174**	770,160
Non-controlling interests		**796**	8,730
		700,970	778,890
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the period	7	**HK$1.60**	HK$1.76
Dividends	8	**262,800**	262,800

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit for the period	**700,970**	778,890
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations recognised directly in other comprehensive income	**1,380**	–
Tax effect of remeasurement of defined benefit obligations recognised directly in other comprehensive income	**(235)**	–
	1,145	–
Item that may be reclassified to profit or loss:		
Currency translation differences	**3,578**	(45,240)
Other comprehensive income/(loss) for the period, net of tax	**4,723**	(45,240)
Total comprehensive income for the period	**705,693**	733,650
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**705,537**	723,976
Non-controlling interests	**156**	9,674
Total comprehensive income for the period	**705,693**	733,650

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	**30 June 2014 Unaudited HK$'000**	31 December 2013 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,143,490**	3,105,052
Investment properties		**13,135**	13,595
Land use rights		**67,709**	69,834
Goodwill		**171,942**	171,730
Interests in joint ventures		**30,267**	13,281
Interests in associates	9	**559,082**	599,715
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**33,698**	28,369
Total non-current assets		**4,019,326**	4,001,579
Current assets			
Programmes and film rights		**603,378**	461,945
Stocks		**12,676**	11,957
Trade and other receivables, prepayments and deposits	10	**2,466,163**	2,481,751
Tax recoverable		**12,310**	10,772
Held-to-maturity financial assets		**377,929**	381,582
Restricted cash		**50,821**	51,151
Bank deposits maturing after three months		**49,793**	291,045
Cash and cash equivalents		**2,434,696**	2,609,393
Total current assets		**6,007,766**	6,299,596
Total assets		**10,027,092**	10,301,175
EQUITY			
Equity attributable to equity holders of the Company			
Share capital: nominal value		**–**	21,900
Other statutory capital reserves		**–**	642,144
Share capital and other statutory capital reserves		**664,044**	664,044
Other reserves	13	**233,906**	201,110
Retained earnings			
– Interim/final dividend	8	**262,800**	876,000
– Others		**6,983,506**	6,573,565
		8,144,256	8,314,719
Non-controlling interests		**112,264**	112,108
Total equity		**8,256,520**	8,426,827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2014

	Note	**30 June 2014 Unaudited HK$'000**	31 December 2013 Audited HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**179,183**	190,681
Retirement benefit obligations		**38,255**	41,429
Total non-current liabilities		**217,438**	232,110
Current liabilities			
Trade and other payables and accruals	12	**841,208**	938,815
Current income tax liabilities		**483,938**	451,066
Borrowings	11	**227,988**	252,357
Total current liabilities		**1,553,134**	1,642,238
Total liabilities		**1,770,572**	1,874,348
Total equity and liabilities		**10,027,092**	10,301,175
Net current assets		**4,454,632**	4,657,358
Total assets less current liabilities		**8,473,958**	8,658,937

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 2014 has been reviewed by the Company's auditor, 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 2014 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 2014 has been prepared in accordance with Hong Kong Accounting Standard 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 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards.

These interim accounts have been prepared under the historical cost convention. The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2013 annual accounts. New or revised standards, amendments to standards and interpretations effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

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 2014. The Group is in the process of making an assessment of the likely 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.

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

3. Segment information

The Group General Manager is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the chief operating decision maker for the purposes of allocating resources to the segments and assessing their 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 respects, as explained in the table below, are measured differently from the profit before income tax in the condensed consolidated financial information.

3. **Segment information** (continued)

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

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

	Hong Kong TV broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Taiwan operations HK$'000	Channel operations HK$'000	Hong Kong digital media business and other activities HK$'000	Elimination HK$'000	Total HK$'000
Six months ended 30 June 2014								
Turnover								
External customers	**1,555,856**	**447,209**	**121,716**	**410,714**	**52,892**	**111,438**	**–**	**2,699,825**
Inter-segment	**25,152**	**68,406**	**195**	**3,731**	**9,658**	**5,150**	**(112,292)**	**–**
Total	**1,581,008**	**515,615**	**121,911**	**414,445**	**62,550**	**116,588**	**(112,292)**	**2,699,825**
Reportable segment profit	**443,671**	**310,507**	**(23,808)**	**122,872**	**18,361**	**20,261**	**–**	**891,864**
Interest income	**28,438**	**1,670**	**51**	**373**	**–**	**1,700**	**–**	**32,232**
Finance costs	**(1,708)**	**–**	**–**	**(78)**	**–**	**–**	**–**	**(1,786)**
Depreciation and amortisation	**(114,929)**	**(2,067)**	**(3,248)**	**(27,987)**	**(95)**	**(7,630)**	**–**	**(155,956)**
Additions to non-current assets#	**134,520**	**9,110**	**2,296**	**38,126**	**100**	**5,800**	**–**	**189,952**
Six months ended 30 June 2013								
Turnover								
External customers	1,446,588	449,060	167,563	394,833	54,063	79,977	–	2,592,084
Inter-segment	12,537	67,805	178	2,799	8,799	4,072	(96,190)	–
Total	1,459,125	516,865	167,741	397,632	62,862	84,049	(96,190)	2,592,084
Reportable segment profit	472,947	317,464	18,895	119,485	22,568	5,222	–	956,581
Interest income	13,336	2,813	60	593	–	905	–	17,707
Finance costs	–	–	–	(1,064)	–	–	–	(1,064)
Depreciation and amortisation	(104,462)	(1,600)	(2,896)	(22,312)	(80)	(8,138)	–	(139,488)
Additions to non-current assets#	295,001	1,909	6,095	29,119	592	8,030	–	340,746

\# Non-current assets comprise goodwill, property, plant and equipment, investment properties and land use rights (including prepayment related to capital expenditure if any).

3. Segment information (continued)

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Reportable segment profit	**891,864**	956,581
Share of losses of joint ventures	**(5,441)**	(2,204)
Share of losses of associates	**(42,310)**	(24,763)
Profit before income tax	**844,113**	929,614

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Hong Kong	**1,666,991**	1,525,946
Taiwan	**411,352**	396,884
USA and Canada	**85,524**	110,219
Australia	**41,302**	54,653
Europe	**15,450**	25,596
Mainland China	**177,137**	181,137
Malaysia and Singapore	**273,781**	279,427
Other countries	**28,288**	18,222
	2,699,825	2,592,084

4. Other revenues

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Interest income	**32,232**	17,707
Others	**8,486**	10,900
	40,718	28,607

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	
	2014	2013
	HK$'000	HK$'000
Depreciation	**154,322**	137,874
Amortisation of land use rights	**1,634**	1,614
Costs of programmes, film rights and stocks	**785,104**	679,631
Net exchange losses/(gains)	**7,421**	(10)

6. Income tax expense

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2013: 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 the 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	
	2014	2013
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**107,715**	99,591
– Overseas	**50,559**	56,368
– Under provisions in prior periods	**1,716**	3,239
Deferred income tax:		
– Origination and reversal of temporary differences	**(16,847)**	(8,474)
	143,143	150,724

Note:

In 2004, the Inland Revenue Department of Hong Kong ("IRD") initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the nine consecutive years of assessment from 1998/99 to 2006/07 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$23,990,000, HK$23,561,000, HK$20,205,000, HK$35,028,000, HK$49,365,000, HK$53,809,000, HK$56,199,000, HK$56,434,000 and HK$50,879,000 for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$369,470,000. Similar additional assessments may be issued for subsequent years of assessment. In April 2014, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2007/08 with a total tax demanded of HK$253 million. Subsequent to 30 June 2014, the Group has been granted conditional holdovers by the purchase of tax reserve certificates amounting to HK$41,203,000.

6. Income tax expense (continued)

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to 2012/13. As of 30 June 2014, the Group has provided a total provision of HK$358 million against the potential tax exposures for the years of assessment from 1998/99 to 2012/13. The tax provision is considered to be adequate.

The Group will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in a tax audit, the outcome of the tax dispute could be different from the amounts provided; such difference would impact the income tax provision in the year in which any determination is made.

7. Earnings per share

The earnings per share is calculated based on the Group's profit attributable to equity holders of HK$700,174,000 (2013: HK$770,160,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2014 and 2013. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Dividends

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Interim dividend, declared after the end of the reporting period, of HK$0.60 (2013: HK$0.60) per ordinary share	**262,800**	262,800

Final dividend of HK$2.00 per ordinary share for the year ended 31 December 2013 amounting to HK$876,000,000 was approved by shareholders on 15 May 2014 and paid on 30 May 2014.

9. Interests in associates

	30 June 2014 HK$'000	31 December 2013 HK$'000
Investment costs	**736,813**	736,813
Less: Accumulated share of losses	**(736,813)**	(736,813)
	–	–
Loans to an associate	**719,212**	719,212
Interest receivable from an associate	**17,884**	16,207
	737,096	735,419
Less: Share of losses in excess of investment costs	**(88,197)**	(45,887)
Less: Provision for impairment loss	**(89,817)**	(89,817)
	559,082	599,715
Unlisted shares, at cost	**736,813**	736,813

10. Trade and other receivables, prepayments and deposits

	30 June 2014 HK$'000	31 December 2013 HK$'000
Trade receivables from:		
Associates	**494,856**	449,960
Related parties	**59,471**	66,124
Third parties (note)	**1,444,684**	1,518,895
	1,999,011	2,034,979
Less: Provision for impairment loss on receivables from:		
Associates	**(421,626)**	(421,626)
Third parties	**(66,409)**	(99,441)
Other receivables, prepayments and deposits	**585,717**	598,369
Tax reserve certificates (Note 6)	**369,470**	369,470
	2,466,163	2,481,751

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.

At 30 June 2014 and 31 December 2013, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

	30 June 2014 HK$'000	31 December 2013 HK$'000
Current	**633,841**	634,561
1-2 months	**304,959**	357,810
2-3 months	**236,953**	264,226
3-4 months	**172,880**	168,395
4-5 months	**63,630**	73,401
Over 5 months	**586,748**	536,586
	1,999,011	2,034,979

11. Borrowings

	30 June 2014 HK$'000	31 December 2013 HK$'000
Short-term bank loans, secured	**227,988**	228,080
Current portion of long-term bank loan, secured	**–**	24,277
Total bank borrowings	**227,988**	252,357

12. Trade and other payables and accruals

	30 June 2014 HK$'000	31 December 2013 HK$'000
Trade payables to:		
Associates	**45**	135
Related parties	**8,472**	9,443
Third parties	**107,128**	131,095
	115,645	140,673
Non-trading amounts due to a joint venture	**969**	–
Receipts in advance, deferred income and customers' deposits	**234,970**	155,794
Provision for employee benefits and other expenses	**206,507**	328,075
Accruals and other payables	**283,117**	314,273
	841,208	938,815

At 30 June 2014 and 31 December 2013, the ageing of trade payables based on invoice date including trading balances due to associates and related parties was as follows:

	30 June 2014 HK$'000	31 December 2013 HK$'000
Current	**73,629**	93,983
1-2 months	**33,092**	34,176
2-3 months	**4,301**	9,652
3-4 months	**1,685**	767
4-5 months	**972**	1,222
Over 5 months	**1,966**	873
	115,645	140,673

13. Other statutory capital reserves and other reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2013	602,026	40,118	70,000	(191)	136,899	12,753	861,605
Currency translation differences:							
– Group	–	–	–	–	–	(46,184)	(46,184)
Transferred from retained earnings	–	–	–	–	31,055	–	31,055
Balance at 30 June 2013	602,026	40,118	70,000	(191)	167,954	(33,431)	846,476
Currency translation differences:							
– Group	–	–	–	–	–	(3,222)	(3,222)
Balance at 31 December 2013	602,026	40,118	70,000	(191)	167,954	(36,653)	843,254
Balance at 1 January 2014	602,026	40,118	70,000	(191)	167,954	(36,653)	843,254
Currency translation differences:							
– Group	–	–	–	–	–	4,218	4,218
Transition to no-par value regime on 3 March 2014	(602,026)	(40,118)	–	–	–	–	(642,144)
Transferred from retained earnings	–	–	–	–	28,578	–	28,578
Balance at 30 June 2014	**–**	**–**	**70,000**	**(191)**	**196,532**	**(32,435)**	**233,906**

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited is pleased to present the 2014 interim report and condensed consolidated interim financial information of Television Broadcasts Limited and its subsidiaries ("Group") for the six months ended 30 June 2014 ("Period"). This interim financial information has not been audited, but has been reviewed by the Audit Committee of the Board, and by PricewaterhouseCoopers, our Auditor, in accordance with the 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.

RESULTS AND INTERIM DIVIDEND

The Group's turnover increased by 4% from HK$2,592 million to HK$2,700 million during the Period. However, total costs increased by 11% from HK$1,663 million to HK$1,839 million. As a result, the profit before income tax decreased by 9% from HK$930 million to HK$844 million and the Group's profit attributable to equity holders decreased by 9% from HK$770 million to HK$700 million. For the Period, the Group reported an earnings per share of HK$1.60 (2013: HK$1.76 per share).

The Board has resolved to declare an interim dividend of HK$0.60 per share (2013: HK$0.60 per share) for the 438,000,000 shares in issue in respect of the Period. This interim dividend will be paid on or around 6 October 2014 to shareholders whose names are recorded on the Register of Members on 22 September 2014.

BUSINESS AND OUTLOOK

Our Hong Kong TV broadcasting business operated under a highly competitive and rapidly changing environment. The 5% growth in advertising revenue recorded during the Period was supported by the much anticipated 2014 FIFA World Cup Brazil™ ("World Cup") which gave the station the opportunity to develop business during the channels' non-prime time hours, as well as on the digital new media platforms. Increases in programme costs and expenses resulted in lower segment profit. Despite their relatively high costs, we will continue to bring world class sports events to Hong Kong for the enjoyment of our viewers. Going forward, we have already announced our rights to broadcast the Rio 2016 Olympic Games together with a number of regional sports events.

The proliferation of over-the-top ("OTT") set-top boxes, many of which deliver pirated content through the open internet to viewers, is adversely impacting our pay and free TV businesses in Hong Kong and overseas. This mode of operation has become more prevalent during the Period. The adoption of the open internet as a delivery channel offers positive business opportunities for all media operators, but simultaneously, presents threats due to the ease of distribution of pirated content. We foresee that the regulation of content distribution through the internet will present an enormous issue to the regulators worldwide, and that the negative impact of pirated content on the internet has no short term cure. TVB is endeavoring to overcome these challenges through a change in our business model as we join others to adopt the open internet as a means to service our viewers. As a first step, we rolled out in Europe in May 2014 our OTT set-top box "TVB Anywhere" which delivers a superior content offering to our subscribers with encouraging results.

Our operating environment in Hong Kong will soon be challenged by the arrival of two new licensees of domestic free television service ("Free TV") which are likely to start operation during 2015. We shall be monitoring developments in this regard closely.

We are mindful of the challenges due to (i) an exceptional increase in the operating costs as a result of the World Cup; and (ii) emerging signs of a slowing retail business which may affect the growth of our advertising revenue. We will take on these challenges with confidence and determination.

We urge the Government to foster a favourable environment for the development of Hong Kong television industry and address the unfair competition that illicit OTT set-top boxes and the infringing contents have caused to TV licensees. We congratulate the Customs and Excise Department on its recent successful raids on a syndicate supplying pirate TV service. The Customs should continue this enforcement action to protect the legitimate interest of the TV licensees.

An application for renewal of our Free TV licence was submitted to the Government at the end of last year, in accordance with the normal timetable for renewal, as our existing licence will expire in November 2015.

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 20 August 2014

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Turnover for Hong Kong TV broadcasting increased by 8% from HK$1,459 million to HK$1,581 million, whilst the reportable segment profit fell 6% from HK$473 million to HK$444 million. Operating margin fell from 32% to 28% when comparing year-on-year.

TV ADVERTISING

Year 2014 started on a conservatively optimistic note as advertisers, especially key sponsors, were expected to launch strong campaigns during the World Cup year.

As the Chinese New Year fell on late January this year, we only enjoyed a short period of high demand of airtime for the pre-Chinese New Year promotions but faced an extended quiet period afterwards. In fact, most companies held back their campaign launches until March.

Supported by the broadcasting of the World Cup matches in June, advertising revenue grew an overall 5% in the first half, when compared with last year.

Two categories that recorded strong growth last year – namely skincare and milk powder – have slowed significantly. While skincare companies slightly increased their advertising spending in the first six months, there was a 1.2% drop in spending from milk powder manufacturers. With fewer new mobile phone launches, a slowdown in the telecommunication sector continued, with a year-on-year decline of 35%. However, some categories, including supermarkets, insurance companies, banks, and toothpaste manufacturers, have demonstrated promising revenue growth. The banking and finance category also recorded 27% year-on-year growth for the first six months as a number of banks and financial companies launched their corporate campaigns during the Period.

Despite the World Cup-led growth, economic and political concerns continued to hang over Mainland China and Hong Kong. The most worrying sign was a year-on-year 9.9% slump in Hong Kong retail sales during April; although the decline narrowed to 6.9% in June, a slowdown in the sales of luxury items such as watches and jewellery is expected to continue, and this will affect our advertising revenue for the coming months.

TERRESTRIAL TV CHANNELS PERFORMANCE

For the first six months, TVB continued to attain a majority of audience share in the free terrestrial TV market. The overall audience share[1] of TVB's terrestrial TV channels[2] against the Total TV channels in Hong Kong during weekday prime time[3] was 80%, against 81% in the same period last year.

To bring the world's most renowned sports events to Hong Kong, TVB spent significant resources on acquiring exclusive multimedia rights on both free and pay TV platforms as well as for Internet and mobile transmissions for the World Cup and the Sochi 2014 Winter Olympic Games.

TVB was appointed the official broadcaster of the World Cup. To boost viewers' spirits ahead of the big event, we introduced a series of ancillary programmes across its free TV channels, including thematic travelogues *Pilgrimage to Football Meccas* on Jade and *South AmeriFun* on J2, high-definition documentary *Wild Brazil* on Pearl, and variety programme *Rio City of Sport* on HD Jade. Throughout June and July, viewers were able to tune in to the livecasts of many important matches during the tournament and were invited to watch a 4K resolution live broadcast of the quarter final match between France and Germany at KITEC Star Hall. Our magazine, TVB Weekly, also printed and distributed large volumes of World Cup special issues for soccer fans. The collaboration between TVB's free terrestrial TV channels, pay TV channels, new media platforms, and print publications ensured the success of this much-anticipated sports event.

In February, TVB also broadcast the Sochi 2014 Winter Olympic Games on free terrestrial TV for the first time in Hong Kong. The live coverage and highlights of the event attracted more than 4 million Hong Kong viewers, achieving a 63% reach of the overall Hong Kong TV population. Our audience was able to watch Hong Kong athlete Barton Lui Pan To competing in the men short-track speed-skating race and the popular women's curling competitions in real time.

To further enrich our sports offerings, TVB proudly announced our appointment as the official broadcaster of the Rio 2016 Olympic Games. We will shortly begin devising strategic programming and promotional efforts for the renowned event.

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1 Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, all pay TV channels and other TV channels capable of being received in Hong Kong, such as satellite channels.

2 TVB's terrestrial TV channels comprise Jade, Pearl, HD Jade, J2, and iNews.

3 Weekday prime time for TVB's terrestrial TV channels runs from 7 p.m. to 12 a.m., Mondays to Fridays.

Jade

In the first six months, TVB continued to devote a big budget on strengthening Jade's leading position in both local drama and non-drama productions. We enhanced our outport productions, introduced new creative themes and brought back familiar faces to the flagship channel.

The top-rated drama title during the Period was *Gilded Chopsticks*, a comedy historical fiction that portrayed how a gifted gourmand became an imperial chef during the Qing dynasty. Filmed in Hengdian of Zhejiang province, the serial was an attempt at a new drama theme and was applauded for its humorous script and beautiful outport sceneries. It achieved an average consolidated rating[4] of 30.3 TVRs (a TV rating[5] of 28.6 TVRs and an online catch-up rating[6] of 1.7 TVRs on average). Another drama series praised for its outport efforts was *Outbound Love*, a romantic story set in the sunny Malaysian city of Penang.

In April, a group of veteran actresses, including Flora Chan Wai San, Carman Lee Yeuk Tung and Loletta Lee Lai Chun, made a fashionable return on Jade in the long-awaited drama serial, *Never Dance Alone*. The serial also successfully introduced a group of new actresses who played the younger versions of the main female characters.

Four locally produced musical movie featuring top TVB artistes and Asian pop-stars were launched under the title of *A Time of Love* to celebrate Valentine's Day in February. Filming incurred significant costs and took place in Japan, Korea, Malaysia and Singapore. The production strengthened the channel's weekend programming and received critical acclaim.

Launched in May, *The Conquerors* was a new addition to our audience's favourite game show genre. The show centred on a team of artistes discovering different parts of Hong Kong by taking on various challenges and learning new skills. Special guest appearances by Canto-pop stars such as Ekin Cheng and Alan Tam added to the appeal of the programme.

The star-studded talk show *Dinner Confidential*, hosted by award-winning TV host Luisa Maria Leitão and acclaimed actor Anthony Wong Chau Sang, premiered on Jade. Featuring exclusive interviews with popular Hong Kong artistes, the programme drew a stable pool of viewers on Sunday nights.

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4 Consolidated rating is defined as the summation of TV rating and online catch-up rating.

5 TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2014, the total TV population comprises 6,494,000 viewers, and therefore, 1 TVR represents 64,940 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen TAM has been appointed as the accredited ratings measurement service company for the industry.

6 Online catch-up rating is defined as an aggregate catch-up rating of web and mobile apps platforms. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,940 viewers.

Pearl

Pearl was appointed the official broadcaster of two major international sports events, namely *Hong Kong Masters 2014* and *Hong Kong Sevens 2014*, in the first six months of the year.

For the first time, our audience enjoyed exclusive live coverage of the prestigious three-day equestrian event in February. A month later, as in previous years, Pearl telecast live matches of the *Hong Kong Sevens 2014*.

Pearl also broadcast live the world's most glamorous showbiz ceremony, *The Oscars®*, in February and provided a prompt re-run of the event with English and Chinese subtitles on the same evening. This year, the channel localised the annual gala by including a group of charming hosts from *Dolce Vita*, its signature infotainment programme. Viewers were also able to watch the awards ceremony through myTV online and on their mobile devices within 14 days of the event.

HD Jade

HD Jade successfully cultivated a core group of audience and achieved satisfactory performance during the first half of 2014. The signature documentary timeslot from 7:00 p.m. to 8:00 p.m. on Sundays achieved an average rating of 7.0 TVRs, representing a 30% increase over the corresponding period in 2013. *Secrets of Wild India* was the channel's top-rated documentary during the Period, attaining a record-breaking single episode rating of 9.1 TVRs and an average rating of 8.0 TVRs.

HD Jade also strengthened its anchor genre by continuing to acquire popular Asian dramas from Japan, Korea and Mainland China. The number of late-night viewers for the high-definition drama timeslot from 11:45 p.m. to 12:45 a.m. on weekdays grew steadily. The channel also boosted its weekend programme line-up by adding new music reality shows.

J2

J2 continued to lead as Hong Kong's second most-watched channel during weekday prime time[7] for the first six months. While popular acquired dramas, travelogues and food programmes remained J2's key attractions, the channel also devoted a bigger budget to producing its own programmes. For example, *Girls Go Hiking*, which focused on promoting a hiking culture in Hong Kong, and *Organized Dining*, the first-ever food programme produced by J2, were launched during this Period.

To improve its weekend programming, J2 introduced several newly acquired reality shows, including the Korean celebrity survival show *The Law of the Jungle* and game show *Running Man* as well as two Japanese animal variety shows *Shimura Zoo* and *Pet Parade*.

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7 J2's weekday prime time runs from 7 p.m. to 12 a.m. between Monday and Friday.

iNews

iNews remained the most watched 24-hour news channel in Hong Kong. To strengthen our leading position and provide more in-depth and comprehensive news coverage, iNews strategically extended the evening 7:30 p.m. newscast on weekdays from 30 minutes to one hour to better serve our busy viewers who return home late from a long day's work.

In addition, a news segment *China News* was launched to improve our audience's understanding of social, economic and political issues on the mainland. The channel also introduced a new "co-anchor" format for the weekday newscasts from 5:30 p.m. to 8:30 p.m. to provide more lively and interactive news coverage for our viewers.

The news segment *Big Big World* continued to showcase customs and traditions of little-known destinations such as Bhutan, Brazil, Gibraltar, Lithuania, Jamaica, Jordan, Tonga, and Vanuatu. Because of its popularity, the segment was re-edited into a 30-minute documentary series and launched in late July.

DIGITISATION

According to the latest Tracking Survey in June 2014, the penetration rate of digital terrestrial TV among Hong Kong households edged up from 80% in March to 82% in June.

CHANNELS FOR PAY TV PLATFORM

The station devoted substantial efforts to improving the content of various pay TV channels. To cater to viewers' increasingly diverse interests, TVB provided 13 pay TV channels delivering drama, sports events, varieties, children programmes, showbiz buzz, movies, news and other lifestyle-related programmes, for the pay TV platform during the Period.

DIGITAL MEDIA BUSINESS

First-half revenue achieved decent growth over the same period last year. More than 26,000 users have signed up for our new video-on-demand streaming service, GOTV, since its launch in January 2014; it has now become a steady new revenue stream for the Group.

Our online media services, however, faced severe competition from illegal OTT services. As a result, our overall video stream views recorded a slight drop of 2%. With strong summer content and popular drama series lined up for the second half of the year, we expect our annual overall stream views to improve. In particular, the weekly average stream views for news (mobile and online) enjoyed 86% growth, while the myTV apps, boosted by unique World Cup content, achieved 11% growth.

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

The Group's economic interest in TVB Pay Vision Holdings Limited ("TVBPVH") stands at 90% for the Period, while its voting interest in TVBPVH remains at 15%.

For the Period, TVB's share of TVBPVH's net loss was around HK$42 million (2013: HK$25 million). Online piracy using Internet Protocol-based devices has exploded during the Period in review, spurred by a proliferation of pirated links to popular Korean dramas and the World Cup. In particular, OTT set-top boxes providing a platform for pirated links spread quickly and competed directly with existing pay TV operators.

A major step has been made in response to the abrupt changes in the market. A joint effort between TVB and TVB Network Vision Limited, the main operating wholly owned subsidiary of TVBPVH, to establish means to fight piracy was initiated. Liaison efforts with the Customs and Excise Department in dealing with piracy of the OTT set-top boxes and the investigative and legal actions against pirated viewing of World Cup at commercial premises are showing some progress, resulting in a temporary deterrence on the growth of piracy viewing.

MAGAZINE BUSINESS

Despite a challenging business environment in the first half of the year, TVB Publications Limited managed to increase its total revenue by 9% year-on-year. Its circulation per issue also rose 5% compared to the same period in 2013.

To further strengthen the magazine's content, we launched in June a new weekly magazine "Live", which is distributed free of charge alongside TVB Weekly. "Live" aims to attract upscale readers and develop marketing opportunities for premium brands and products.

MOVIE PRODUCTION

Concept Legend Limited, a joint venture between TVB and Shaw Productions Limited, partnered with Media Asia Film to develop a movie project *Triumph In The Skies* based on the successful TVB drama series *Triumph In The Skies*. The film will be produced by Tommy Leung Ka Shi and directed by Yip Wai Shun and Chow Hoi Kwong. Leading actors will include Louis Koo, Francis Ng, Julian Cheung, Charmaine Sheh, and Sammi Cheng.

The post-production of another new movie, *Buddy Cops*, was completed and it will be released upon approval from SARFT (The State Administration of Radio, Film and Television).

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution, which included, among others, revenue from Malaysia, Singapore and Mainland China, remained stable at approximately HK$516 million in the first six months (2013: HK$517 million).

In Malaysia, most of the committed advertising spending on our channels was put on hold following the Malaysia Airlines flight MH370 incident in March. This rapid cool down of the market sentiment in the region, however, did not significantly impact our business as licensing revenue from the key markets in Malaysia and Singapore is mostly fixed.

Although TVB programmes have remained popular among the Chinese communities in the region, we are facing growing challenges from illegal internet downloads, competition from other Asian dramas, and demand from audiences.

To safeguard our long-term interest in Malaysia and Singapore, we made significant programme investment on location in these markets. In Malaysia, a series of programmes produced in cooperation with our licensee, MEASAT Broadcast Network Systems Sdn Bhd, began with the drama *Outbound Love* and the musical movie *A Time of Love* which was followed by a sequel to the popular infotainment programme *Wellness On-The-Go Season 2*. These programmes were well-received by the audience, and helped generate new business opportunities. In Singapore, *Lady First Singapore Season 2* was the key production in the first half of this year. Similar to the first series released last year, the sequel helped our licensee StarHub Cable Vision Limited generate additional advertising revenue which also benefitted us. This programme created a group of female fans and loyal followers.

Aside from the traditional markets like Malaysia and Singapore, the Group has been placing significant efforts in developing ancillary markets in the region, including Vietnam, Thailand and Indonesia. Vietnam has become the most successful market, since the launch of a TVB drama channel on Saigontourist Cable Television Company Limited in 2011. We are however mindful of the political tension between Vietnam and Mainland China as a result of the South China Sea dispute and its potential adverse impact on imported Chinese productions, including TVB programmes. Further, we have been active in developing our business in Myanmar and Latin America.

China Operations

The Group's licensing and advertising businesses as well as artiste management in Mainland China continued under上海翡翠東方傳播有限公司 ("TVBC"), a joint venture between TVB, China Media Capital, and Shanghai Media Group.

It has been a tough six months for our telecast licensing business in Mainland China. We are working against an environment where TV stations are cutting back on overseas dramas. Furthermore, prolonged and stricter controls imposed by SARFT on the approval of imported dramas are adversely affecting our business.

In comparison, the digital new media licensing business is on an upward trend due to rising demand for programme content by operators, and this is expected to bring higher returns for TVBC. However, SARFT has just issued new measures to tighten the control over imported programmes. At the present moment, these requirements only apply to OTT set-top boxes but may potentially cover other digital new media areas in future. In mid-June, we launched a new mobile app iTVB, which allows subscribers of the mainland's largest mobile network, to enjoy TVB programmes on their smartphones. The number of viewers has been increasing steadily at a pace of 5,000 subscribers a day since launch. This business is anticipated to generate a stable stream of income for TVBC.

TVBC has invested and will continue to invest in mainland-produced dramas which qualify for prime time release on national satellite TV channels. The profitability of this business segment, however, may be slightly affected by the impending governmental measure of "One Drama, Two Satellite TVs" issued in April 2014. TVBC has also invested in non-drama programmes which have a shorter period of return; these are planned to be released on both the digital new media and traditional TV channels.

TAIWAN OPERATIONS

TVBS – Taiwan

Although most economic indices in the first six months pointed to an economic recovery on the horizon, the advertising market remained sluggish in Taiwan.

As the Chinese New Year fell on late January this year, it prolonged the annual post-holiday advertising slump, which lasted until just ahead of Mother's Day in the second quarter. Due to an unexpected licensing dispute, TVBS replaced a TV station which was originally appointed as the official broadcaster of the World Cup mid-tournament. This helped improve our revenue in June.

We completed the switch to HD production for all of our cable channels – TVBS, TVBS News and TVBS Entertainment in March. We have already achieved nearly 100% penetration rate among cable households for TVBS and TVBS News channels.

Meanwhile, our new state-of-the-art Linkou headquarters finally broke ground in June. TVBS will have vastly upgraded capabilities to produce dramas and variety shows in-house when construction is completed, allowing us to rely less on news programmes and introduce a greater variety of content into the market.

OVERSEAS PAY TV OPERATIONS

The combined turnover for our three overseas pay TV platforms in Europe, Australia and North America, dropped 27% to HK$122 million (2013: HK$168 million) during the Period. This business segment reported a reportable segment loss of HK$24 million, compared with a reportable segment profit of HK$19 million for the same period last year. The proliferation of OTT set-top boxes carrying pirated programme content was the main reason contributing to the rapid decline in our revenue and subscribers under the existing business model which relies on satellite for distribution.

To counter this, we launched in London during May a new service based on an in-house developed internet-based OTT set-top box "TVB Anywhere". This service is highly competitive in service quality, offering channels in HD resolution, over 50 live channels, and functionalities including video-on-demand, seven-day programme catch-up, and mobile/tablet TV services. Shortly following its launch, the platform has already helped reverse the downward trend in subscribers. We are planning to launch "TVB Anywhere" in Australia, the United States of America and other territories during 2014. As this new service is being rolled out, we have started to streamline our cost structure, with a view to bringing the operation back into profitability.

CHANNEL OPERATIONS

TVB8 and Xing He Channels

Advertising revenue for TVB8 and Xing He channels was adversely affected by the early arrival of the Chinese New Year and the Malaysia Airlines flight MH370 incident during the Period. Advertisers and their agencies have become more cautious with their spending following the aviation incident.

To further improve our service to existing subscribers and partner platforms, we initiated an upgrade of TVB8 and Xing He channels from standard definition to high definition resolution. Meanwhile, we continued with the plan to compile a premium Xing He channel to capture younger viewers.

During the Period, we obtained permission to launch an official TVB8 channel on WeChat and WeiBo to attract the young audience in Mainland China.

COMBATING PIRACY

Combating piracy remains a top priority of the Group.

During the World Cup, TVB's anti-piracy taskforce identified nearly 10,000 cases of infringement on our exclusive live broadcast rights through illicit websites, apps or set-top boxes, and the taskforce referred all of the cases to the relevant authorities for follow-up.

We kept communicating with law enforcement officers to combat piracy at source or supply level. In June, the Hong Kong Customs and Excise Department initiated a crackdown on a syndicate suspected of infringing TV copyrights, arrested nine people and seized 41 illicit set-top boxes. We have been in discussion with the authorities in other territories, including Australia, Malaysia, Singapore, and the UK, in the hope that they would take similar enforcement actions against TV copyrights infringement in their respective territories.

In Hong Kong, we have joined other members of the creative industry to lobby for the early passage of the Copyright (Amendment) Bill 2014, which, if passed, may help address digital online piracy.

FINANCIAL REVIEW

OPERATING RESULTS FOR THE PERIOD

For the Period, the Group recorded a turnover of HK$2,700 million (2013: HK$2,592 million), representing an increase of 4% over the same period of last year. Cost of sales amounted to HK$1,150 million (2013: HK$1,030 million), representing an increase of 12% over the same period of last year. Gross profit for the Period stood at HK$1,550 million (2013: HK$1,562 million).

Included in cost of sales were the cost of programmes, film rights and stocks for the Period which amounted to HK$785 million (2013: HK$680 million), representing an increase of 16% over the same period of last year. The increase was largely driven by the costs for the broadcast of World Cup in June 2014 which included the licence rights and the production costs of World Cup related programmes.

Selling, distribution and transmission costs for the Period amounted to HK$316 million (2013: HK$298 million), an increase of 6% over the same period of last year. The increase was due to higher staff costs in Hong Kong and higher promotion expenses for programme licensing and distribution business.

General and administrative expenses for the Period amounted to HK$374 million (2013: HK$336 million), representing an increase of 11% over the same period of last year. This reflected largely an increase in staff costs.

During the Period, the Group shared losses of HK$42 million of TVBPVH, an associated company of the Group engaging in Hong Kong pay TV business. When compared with the losses shared of HK$25 million for the six months ended 30 June 2013, the increase in the losses was due to increases in programme costs and staff costs.

Income tax for the Period amounted to HK$143 million (2013: HK$151 million), a decrease of 5% over the same period of last year. The Group's major subsidiaries operate in the countries whose effective tax rates vary from 0% to 40%.

Overall, the Group's profit attributable to equity holders amounted to HK$700 million (2013: HK$770 million), representing a decrease of 9% over the same period of last year. Accordingly, the earnings per share was HK$1.60 (2013: HK$1.76).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong. At 30 June 2014, total equity stood at HK$8,257 million (31 December 2013: HK$8,427 million).

The Group had unpledged bank deposits and cash balances of HK$2,484 million at 30 June 2014 (31 December 2013: HK$2,900 million). About 20% of the unpledged bank deposits and cash balances were maintained in overseas subsidiaries for their daily operations. Unpledged bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars.

Trade receivables from third parties amounted to HK$1,445 million (31 December 2013: HK$1,519 million) decreased by 5% over the last year end because of seasonal variation attributable to a lower level of billing to customers in the first half of the year, when compared with the second half of the year. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

The Group's net current assets amounted to HK$4,455 million (31 December 2013: HK$4,657 million), representing a decrease of 4% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities, was 3.9 at 30 June 2014 (31 December 2013: 3.8).

The Group's total bank borrowings at 30 June 2014 were HK$228 million (31 December 2013: HK$252 million), which were related to bank loans denominated in US dollars and of fixed interest bearing, and secured on certificates of deposit purchased and a bank deposit. At 30 June 2014, all of the Group's borrowings will mature within one year, and the gearing ratio, expressed as the ratio of gross debts to total equity, stood at 2.8% (31 December 2013: 3.0%).

At 30 June 2014, certain assets of a subsidiary of the Group with a net asset value of HK$771 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits and cash at banks of HK$32 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group. Certificates of deposit totalling RMB300 million (equivalent to HK$378 million) and a bank deposit of HK$19 million were pledged to secure bank loans granted to the Company.

At 30 June 2014, capital commitments of the Group amounted to HK$1,060 million (31 December 2013: HK$1,245 million), representing a decrease of 15%.

TAX AUDIT

In 2004, the IRD initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the nine consecutive years of assessment from 1998/99 to 2006/07 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, 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, HK$54 million, HK$56 million, HK$57 million and HK$51 million for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$370 million. Similar additional assessments may be issued for subsequent years of assessment. In April 2014, the Group received protective profits tax assessment notices from the IRD for the year of assessment 2007/08 for total tax demanded of HK$253 million. Subsequent to 30 June 2014, the Group has been granted conditional holdovers by the purchase of tax reserve certificates amounting to HK$41 million.

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to 2012/13. As of 30 June 2014, the Group has provided a total amount of HK$358 million against the potential tax exposures for the years of assessment from 1998/99 to 2012/13. The tax provision is considered to be adequate.

The Group will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in the tax audit, the outcome of the tax dispute could be different from the amounts provided; such difference would impact the income tax provisions in the year in which any determination is made.

CONTINGENT LIABILITIES

At 30 June 2014, there were guarantees given to bank amounting to HK$9 million (31 December 2013: HK$9 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 and at the end of the Period.

HUMAN RESOURCES

At 30 June 2014, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 5,233 full-time employees (31 December 2013: 5,070).

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 basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. Discretionary bonuses may be awarded as an incentive for better performance. About 25% of the Group's manpower was employed in overseas subsidiaries, and was paid on scales and systems relevant to the respective localities and legislations.

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 listed securities of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the TVB Corporate Governance Code as its own code on corporate governance.

The Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("CG Code") during the Period, save for the fact that three Directors were not able to attend the annual general meeting of the Company held on 15 May 2014 due to prior engagements which represented a deviation from code provision A.6.7 of the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Model Code"), as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

Mr. Kevin Lo Chung Ping, who retired as a Non-executive Director of the Company on 15 May 2014, confirmed, following specific enquiries by the Company, that he had complied with the Model Code throughout the period between 1 January 2014 and 15 May 2014.

Mr. Chien Lee, who retired as an Independent Non-executive Director of the Company on 15 May 2014, confirmed, following specific enquiries by the Company, that he had complied with the Model Code throughout the period between 1 January 2014 and 15 May 2014.

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 Period.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company. 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 and the interim report for the Period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 19 September 2014 to Monday, 22 September 2014, both dates inclusive, for the purpose of determining shareholders' entitlement to the interim dividend. During the said book close period, no transfer of shares will be registered. In order to qualify for entitlement to 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 18 September 2014.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Company (www.corporate.tvb.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2014 Interim Report containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be despatched to shareholders and made available on the above websites in mid-September 2014.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 20 August 2014

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

Executive Directors
Dr. Norman LEUNG Nai Pang GBS, LLD, JP, Executive Chairman
Mark LEE Po On Group General Manager

Non-executive Directors
Mona FONG
Dr. Charles CHAN Kwok Keung
Cher WANG Hsiueh Hong
Jonathan Milton NELSON
Anthony LEE Hsien Pin
CHEN Wen Chi

Independent Non-executive Directors
Dr. CHOW Yei Ching GBS
Edward CHENG Wai Sun SBS, JP
Gordon SIU Kwing Chue GBS, CBE, JP
Raymond OR Ching Fai SBS, JP

Alternate Directors
Dr. Allan YAP Alternate Director to Dr. Charles CHAN Kwok Keung
Harvey CHANG Hsiao Wei Alternate Director to Cher WANG Hsiueh Hong
Jessica Huang POULEUR Alternate Director to Jonathan Milton NELSON