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Television Broadcasts Limited
電視廣播有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 00511

ANNOUNCEMENT OF 2015 INTERIM RESULTS

HIGHLIGHTS

- Revenue from continuing operations decreased from HK$2,289 million to HK$2,031 million, a decrease of 11%.

- Total costs from continuing operations increased from HK$1,550 million to HK$1,570 million, an increase of 1%.

- A gain of HK$1,396 million (which included fair value gain on the retained interest) in connection with the sale of the 53% shareholding in Liann Yee Group was recognised during the period.

- An impairment loss of HK$654 million, representing 100% of the Company's net interest in an associate engaging in Hong Kong pay TV business, was booked.

- Profit attributable to equity holders from continuing and discontinued operations increased from HK$700 million to HK$1,148 million, and earnings per share from continuing and discontinued operations increased from HK$1.60 to HK$2.62, an increase of 64%.

- Interim dividend was declared at HK$0.60 per share (2014: 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 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	**Unaudited Six months ended 30 June 2015 HK$'000**	2014 HK$'000 (Restated)
Continuing operations			
Revenue	4	**2,030,706**	2,289,169
Cost of sales		**(904,466)**	(942,112)
Gross profit		**1,126,240**	1,347,057
Other revenues	5	**38,563**	38,898
Selling, distribution and transmission costs		**(270,325)**	(267,823)
General and administrative expenses		**(395,648)**	(340,460)
Other losses, net		**(35,043)**	(7,361)
Finance costs		**(3,484)**	(1,708)
Share of profits/(losses) of:			
Joint ventures		**6,735**	(5,441)
Associates		**(32,766)**	(42,310)
Impairment loss on loan to and trade receivables from an associate		**(654,106)**	–
(Loss)/profit before income tax	6	**(219,834)**	720,852
Income tax expense	7	**(65,005)**	(113,667)
(Loss)/profit for the period from continuing operations		**(284,839)**	607,185
Discontinued operations			
Profit for the period from discontinued operations		**83,152**	93,785
Tax on dividend distributed prior to completion of disposal		**(52,726)**	–
Gain on disposal of discontinued operations		**1,395,770**	–
	16	**1,426,196**	93,785
Profit for the period		**1,141,357**	700,970

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Unaudited Six months ended 30 June 2015 HK$'000	2014 HK$'000 (Restated)
(Loss)/profit attributable to:			
Equity holders of the Company			
– Continuing operations		**(278,158)**	606,389
– Discontinued operations		**1,426,196**	93,785
		1,148,038	700,174
Non-controlling interests			
– Continuing operations		**(6,681)**	796
		1,141,357	700,970
(Loss)/earnings per share (basic and diluted) for (loss)/profit attributable to equity holders of the Company during the period			
– Continuing operations	8	**(HK$0.64)**	HK$1.39
– Discontinued operations	8	**HK$3.26**	HK$0.21
		HK$2.62	HK$1.60
Dividends	9	**262,800**	262,800

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000 (Restated)
Profit for the period	**1,141,357**	700,970
Other comprehensive income:		
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	**53,882**	3,578
Reclassification adjustment to profit or loss on disposal of subsidiaries	**7,531**	–
Other comprehensive income for the period, net of tax	**61,413**	4,723
Total comprehensive income for the period	**1,202,770**	705,693
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
– Continuing operations	**(243,001)**	608,067
– Discontinued operations	**1,452,401**	97,470
	1,209,400	705,537
Non-controlling interests		
– Continuing operations	**(6,630)**	156
Total comprehensive income for the period	**1,202,770**	705,693

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	**30 June 2015 Unaudited HK$'000**	31 December 2014 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,754,859**	3,068,165
Investment properties		**739,593**	10,202
Land use rights		**64,757**	66,378
Goodwill		**–**	115,643
Interests in joint ventures	10	**1,211,223**	44,909
Interests in associates	11	**–**	530,786
Available-for-sale financial assets		**3**	3
Deferred income tax assets		**17,299**	23,529
Prepayments	12	**51,728**	39,893
Total non-current assets		**3,839,462**	3,899,508
Current assets			
Programmes and film rights		**818,934**	761,863
Stocks		**12,462**	10,674
Trade and other receivables, prepayments and deposits	12	**1,666,755**	2,538,940
Tax recoverable		**5,014**	5,074
Loan to a joint venture	10	**50,965**	–
Restricted cash		**8,594**	9,039
Bank deposits maturing after three months		**901,555**	135,676
Cash and cash equivalents		**1,954,484**	3,195,869
Total current assets		**5,418,763**	6,657,135
Total assets		**9,258,225**	10,556,643
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves	15	**69,524**	159,241
Retained earnings			
– Dividends		**262,800**	1,883,400
– Others		**6,856,106**	5,818,734
		7,852,474	8,525,419
Non-controlling interests		**172,297**	178,927
Total equity		**8,024,771**	8,704,346
LIABILITIES			
Non-current liabilities			
Borrowings	13	**401,360**	293,700
Deferred income tax liabilities		**171,478**	181,080
Retirement benefit obligations		**–**	34,628
Total non-current liabilities		**572,838**	509,408

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2015

	Note	**30 June 2015 Unaudited HK$'000**	31 December 2014 Audited HK$'000
Current liabilities			
Trade and other payables and accruals	14	**599,091**	793,019
Current income tax liabilities		**61,525**	451,970
Borrowings	13	**–**	97,900
Total current liabilities		**660,616**	1,342,889
Total liabilities		**1,233,454**	1,852,297
Total equity and liabilities		**9,258,225**	10,556,643
Net current assets		**4,758,147**	5,314,246
Total assets less current liabilities		**8,597,609**	9,213,754

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 2015 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 2015 has also been reviewed by the Audit Committee of the Company.

2. Key events

On 6 May 2015, the Group completed the disposal of its 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,695,000,000 (approximately HK$1,182,144,000). Totally a disposal gain of HK$1,395,770,000, represented by a gain on disposal of the equity interest of HK$851,621,000 and a gain on retained interest of HK$544,149,000, was recognised. Details of this disposal were set out in Note 16 to the condensed consolidated financial information.

Consequently, Liann Yee Group has ceased to be a subsidiary and has become a joint venture of the Group. The Group has adopted equity accounting in respect of the retained interest in Liann Yee Group thereafter. Liann Yee Group's profit for the period from 1 January to 5 May 2015 was presented as discontinued operations in the condensed consolidated financial information and last year comparatives were restated accordingly.

By the adoption of equity accounting, Liann Yee Group's assets and liabilities had not been included in the Group's condensed consolidated statement of financial position as at 30 June 2015. Investment cost of the retained 47% equity interest in Liann Yee Group and the non-current portion of the shareholder loan to Liann Yee Group have been included in "Interests in joint ventures" in the condensed consolidated financial information. Current portion of the shareholder loan to Liann Yee Group was separately shown as "Loan to a joint venture" in the condensed consolidated financial information. Neihu Real Estate and Bade Real Estate were transferred from Liann Yee Group to the Group prior to the completion of the disposal transaction. Thereafter, the Group leased back certain portion of the properties to Liann Yee Group on normal commercial terms. Accordingly these properties were included as "Investment properties" in the Group's condensed consolidated statement of financial position.

3. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2015 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 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2014 annual financial statements. New or revised standards, amendments to standards and interpretations effective for the financial year ending 31 December 2015 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 2015. 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.

4. Segment information

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance.

The Group determined to separately report "Hong Kong digital new media business" as a reportable operating segment due to the increasing importance of the business. As such, the comparative figures have been adjusted to conform with the reclassification.

The segment information reported below does not include any amounts related to the operations of Liann Yee Group, which are described in more details in Note 16.

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, is measured differently from the profit before income tax in the condensed consolidated financial information.

Revenue 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.

4. **Segment information** (continued)

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

	Hong Kong TV Broadcasting HK$'000	Hong Kong digital new media business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations								
Six months ended 30 June 2015								
Revenue								
External customers	1,364,398	70,403	416,085	93,269	52,277	34,274	–	2,030,706
Inter-segment	21,214	1,876	66,612	17	2,947	7,812	(100,478)	–
Total	1,385,612	72,279	482,697	93,286	55,224	42,086	(100,478)	2,030,706
Reportable segment profit before impairment loss	240,244	13,008	222,681	(21,237)	12,853	(7,246)	–	460,303
Impairment loss on loan to and trade receivables from an associate (note 11, 12)	(654,106)	–	–	–	–	–	–	(654,106)
Reportable segment (loss)/profit after impairment loss	(413,862)	13,008	222,681	(21,237)	12,853	(7,246)	–	(193,803)
Interest income	25,319	368	5,023	179	–	1,059	–	31,948
Finance costs	–	–	–	–	–	(3,484)	–	(3,484)
Depreciation and amortisation	(119,578)	(6,852)	(3,086)	(2,490)	(79)	(7,220)	–	(139,305)
Additions to non-current assets#	93,328	9,611	6,531	556	3,820	313	–	114,159

4. Segment information (continued)

	Hong Kong TV broadcasting HK$'000	Hong Kong digital new media business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations								
Six months ended 30 June 2014 (restated)								
Revenue								
External customers	1,555,856	85,679	447,209	121,716	52,892	25,817	–	2,289,169
Inter-segment	25,152	1,890	68,406	195	9,658	3,260	(108,561)	–
Total	1,581,008	87,569	515,615	121,911	62,550	29,077	(108,561)	2,289,169
Reportable segment profit	443,671	24,180	310,507	(23,808)	18,361	(4,308)	–	768,603
Interest income	28,438	457	1,670	51	–	1,285	–	31,901
Finance costs	(1,708)	–	–	–	–	–	–	(1,708)
Depreciation and amortisation	(114,929)	(5,314)	(2,067)	(3,248)	(95)	(2,316)	–	(127,969)
Additions to non-current assets#	134,520	5,499	9,110	2,296	100	301	–	151,826

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

A reconciliation of reportable segment (loss)/profit to (loss)/profit before income tax is provided as follows:

	Six months ended 30 June 2015 HK$'000	2014 HK$'000 (Restated)
Reportable segment (loss)/profit	**(193,803)**	768,603
Share of profits/(losses) of joint ventures	**6,735**	(5,441)
Share of losses of associates	**(32,766)**	(42,310)
(Loss)/profit before income tax	**(219,834)**	720,852

4. **Segment information** (continued)

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Hong Kong	**1,464,494**	1,666,991
USA and Canada	**71,358**	85,524
Australia	**31,428**	41,302
Europe	**4,564**	15,450
Mainland China	**147,155**	177,137
Malaysia and Singapore	**270,950**	273,781
Other countries	**40,757**	28,984
	2,030,706	2,289,169

5. **Other revenues**

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Interest income	**31,948**	31,901
Others	**6,615**	6,997
	38,563	38,898

6. (Loss)/profit before income tax

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

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Depreciation	**137,669**	126,335
Amortisation of land use rights	**1,636**	1,634
Costs of programmes, film rights and stocks	**669,364**	723,692
Net exchange losses	**35,043**	7,361
Discontinued operations		
Depreciation	**18,354**	27,987
Costs of programmes, film rights and stocks	**39,324**	61,412

7. Income tax expense

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2014: 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	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Current income tax:		
– Hong Kong	**75,518**	107,715
– Overseas	**8,181**	21,582
– (Over)/under provisions in prior periods	**(8,603)**	1,708
Deferred income tax:		
– Origination and reversal of temporary differences	**(10,091)**	(17,338)
	65,005	113,667

8. (Loss)/earnings per share

The (loss)/earnings per share is calculated based on the Group's (loss)/profit attributable to equity holders of the Company and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2015 and 2014. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
(Loss)/profit attributable to equity holders of the Company		
– Continuing operations	**(278,158)**	606,389
– Discontinued operations	**1,426,196**	93,785
	1,148,038	700,174

9. Dividends

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Interim dividend, declared after the end of the reporting period, of HK$0.60 (2014: HK$0.60) per ordinary share	**262,800**	262,800

A final dividend of HK$2.00 per ordinary share and a special dividend of HK$2.30 per ordinary share for the year ended 31 December 2014 amounting to HK$876,000,000 and HK$1,007,400,000, respectively, were approved by shareholders on 20 May 2015 and paid on 8 June 2015.

10. Interests in joint ventures

	30 June 2015 HK$'000
At 1 January	44,909
Investment costs	907,829
Loan to a joint venture	300,902
Interest receivables from joint ventures	1,262
Share of profits for the period	6,735
Share of other comprehensive income for the period	64
Exchange differences	487
	1,262,188
Less: current portion of loan to a joint venture	(50,965)
At 30 June	**1,211,223**

11. Interests in associates

	30 June 2015 HK$'000	31 December 2014 HK$'000
Investment costs	**736,813**	736,813
Less: accumulated share of losses	**(736,813)**	(736,813)
	–	–
Loan to an associate	**719,212**	719,212
Interest receivable from an associate	**21,443**	19,660
	740,655	738,872
Less: share of losses in excess of investment costs	**(151,035)**	(118,269)
Less: provision for impairment loss (note)	**(589,620)**	(89,817)
	–	530,786
Unlisted shares, at cost	**736,813**	736,813

Note:

TVB Network Vision Limited ("TVB Network Vision"), an associate engaging in Hong Kong pay TV business, has been offering content from TVB and other providers from different regions with programme genre ranging from drama serials, variety programmes to sports. However, due to rampant Internet piracy activities exacerbated by technological advancement around the world, the content which TVB Network Vision has planned to bring to its viewers through conventional subscription service is widely available in the market, causing significant shortfall in its revenue targets. In addition, the operation of high cost pay TV business (provision of pay TV service using satellite transmission and third party platform cooperation) has increasingly become difficult.

In view of TVB Network Vision's continuous losses sustained and the unfavourable operating environment for traditional pay TV business, future cash inflow of TVB Network Vision will be significantly reduced. TVB Network Vision will not proceed to launch the over-the-top platform in 2016, as previously envisaged in their business plan as disclosed in our 2014 annual financial statements. As such, impairment losses of HK$499,803,000 and HK$154,303,000 (Note 12) against the loan and trade receivables due from TVB Network Vision, with a total impairment loss of HK$654,106,000, were made in the financial statements for the period ended 30 June 2015. After making this impairment loss, the total net interests in TVB Pay Vision Holdings Limited ("TVBPVH", the holding company of TVB Network Vision) as of 30 June 2015, which represented the total cost of investment, a long-term loan and trade receivable balances less the accumulated share of losses and impairment, had been fully written off.

12. Trade and other receivables, prepayments and deposits

	30 June 2015 HK$'000	31 December 2014 HK$'000
Non-current		
Prepayments related to capital expenditure	**51,728**	39,893
Current		
Trade receivables from:		
Joint ventures	**4,011**	–
Associates	**575,929**	537,177
Related parties	**49,074**	42,691
Third parties (note(a))	**1,184,003**	1,550,881
	1,813,017	2,130,749
Less: provision for impairment loss on receivables from:		
Associates (note(b))	**(575,929)**	(421,626)
Third parties	**(73,116)**	(72,754)
Amounts due from joint ventures	**2,510**	2,256
Other receivables, prepayments and deposits	**500,273**	478,243
Tax reserve certificates	**–**	422,072
	1,666,755	2,538,940
	1,718,483	2,578,833

Notes:

(a) 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.

(b) During the period, an additional impairment loss of HK$154,303,000 was made against the trade receivables due from TVB Network Vision.

12. Trade and other receivables, prepayments and deposits (continued)

At 30 June 2015 and 31 December 2014, the ageing of trade receivables based on invoice date including trading balances due from joint ventures, associates and related parties was as follows:

	30 June 2015 HK$'000	31 December 2014 HK$'000
Current	**451,055**	563,503
1-2 months	**256,639**	341,718
2-3 months	**220,148**	251,162
3-4 months	**109,380**	203,377
4-5 months	**48,339**	83,649
Over 5 months	**727,456**	687,340
	1,813,017	2,130,749

13. Borrowings

	30 June 2015 HK$'000	31 December 2014 HK$'000
Non-current		
Long-term bank loan, secured	**401,360**	293,700
Current		
Short-term bank loans, secured	**–**	97,900
Total bank borrowings	**401,360**	391,600

The Group's bank borrowings were repayable as follows:

	30 June 2015 HK$'000	31 December 2014 HK$'000
Within 1 year	**–**	97,900
Between 1 and 2 years	**2,573**	9,790
Between 2 and 5 years	**92,621**	176,220
Over 5 years	**306,166**	107,690
	401,360	391,600

14. Trade and other payables and accruals

	30 June 2015 HK$'000	31 December 2014 HK$'000
Trade payables to:		
Joint ventures	**11,221**	–
Related parties	**7,706**	6,007
Third parties	**104,611**	134,075
	123,538	140,082
Amounts due to a joint venture	**1,764**	1
Receipts in advance, deferred income and customers' deposits	**151,297**	124,703
Provision for employee benefits and other expenses	**122,492**	276,631
Accruals and other payables	**200,000**	251,602
	599,091	793,019

At 30 June 2015 and 31 December 2014, the ageing of trade payables based on invoice date including trading balances due to joint ventures and related parties was as follows:

	30 June 2015 HK$'000	31 December 2014 HK$'000
Current	**100,420**	109,530
1-2 months	**16,201**	25,054
2-3 months	**4,193**	3,497
3-4 months	**1,337**	690
4-5 months	**651**	176
Over 5 months	**736**	1,135
	123,538	140,082

15. 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 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
Transferred to retained earnings	–	–	–	–	(8,596)	–	(8,596)
Currency translation differences:							
– Group	–	–	–	–	–	(91,470)	(91,470)
– Joint ventures	–	–	–	–	–	(35)	(35)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	–	–	–	–	–	25,436	25,436
Balance at 31 December 2014	–	–	70,000	(191)	187,936	(98,504)	159,241
Balance at 1 January 2015	–	–	70,000	(191)	187,936	(98,504)	159,241
Currency translation differences:							
– Group	–	–	–	–	–	53,767	53,767
– Joint ventures	–	–	–	–	–	64	64
Reclassification adjustment to profit or loss on disposal of subsidiaries	–	–	–	–	–	7,531	7,531
Transferred from retained earnings	–	–	–	–	3,882	–	3,882
Disposal of subsidiaries	–	–	–	(864)	(155,152)	–	(156,016)
Loss previously in reserve released to profit or loss on disposal of subsidiaries	–	–	–	1,055	–	–	1,055
Balance at 30 June 2015	**–**	**–**	**70,000**	**–**	**36,666**	**(37,142)**	**69,524**

16. Discontinued operations

As more fully explained in Note 2 in respect of the disposal of Liann Yee Group, the results of Taiwan operations together with the related gain on disposal have been presented as discontinued operations in the condensed consolidated income statement for the six months ended 30 June 2015.

Analysis of the results of the discontinued operations is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
Revenue	**276,081**	414,387
Cost of sales	**(134,684)**	(211,369)
Gross profit	**141,397**	203,018
Other revenues	**2,890**	1,820
Selling, distribution and transmission costs	**(29,831)**	(48,389)
General and administrative expenses	**(31,202)**	(33,054)
Other losses, net	**(468)**	(56)
Finance costs	**(1,896)**	(78)
Profit before income tax	**80,890**	123,261
Income tax credit/(expense)	**2,262**	(29,476)
Profit after income tax	**83,152**	93,785
Tax on dividend distributed prior to completion of disposal	**(52,726)**	–
Gain on disposal of subsidiaries#	**1,395,770**	–
Profit for the period from discontinued operations	**1,426,196**	93,785
Profit attributable to:		
– Equity holders of the Company	**1,426,196**	93,785

\# Totally a disposal gain of HK$1,395,770,000, represented by a gain on disposal of the equity interest of HK$851,621,000 and a gain on retained interest of HK$544,149,000, was recognised.

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the 2015 interim report and condensed consolidated interim financial information of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries ("Group") for the six months ended 30 June 2015 ("Period").

RESULTS AND INTERIM DIVIDEND

The Group's revenue decreased by 11% from HK$2,289 million to HK$2,031 million during the Period. Total costs rose marginally by 1% from HK$1,550 million to HK$1,570 million, as a result of our dedicated efforts to contain costs. Owing to Hong Kong's increasingly difficult pay TV market in which our associate TVB Network Vision Limited ("TVB Network Vision") operates, the Group had to recognise during the Period an impairment loss of HK$654 million, representing 100% of the Group's net interests in TVB Network Vision. As a result, a net loss of HK$285 million (2014: a net profit of HK$607 million) was booked, as the Group's continuing operations.

The Group's shareholding in Taiwan Operations (under Liann Yee Production Co., Ltd. or "Liann Yee") was reduced from 100% to 47% under a transaction that generated a profit of HK$1,396 million, which was booked under discontinued operations, upon completion on 6 May 2015. This profit helped lift the Group's net profit during this Period.

Taking into account the Liann Yee transaction and the impairment loss on TVB Network Vision, the Group's profit attributable to equity holders rose by 64%, from HK$700 million to HK$1,148 million, equivalent to an earnings per share of HK$2.62 (2014: HK$1.60).

The Board has resolved to declare an interim dividend of HK$0.60 (2014: HK$0.60 per share) for the Period. This interim dividend will be paid on 6 October 2015 to shareholders whose names are recorded on the Register of Members on 21 September 2015.

BUSINESS AND OUTLOOK

The first half of 2015 was challenging for operators in the Hong Kong media industry and for our distribution business globally.

According to Government's published data, sales of all retail outlets experienced an average drop of 1.6% during the Period compared with last year. High value products including jewellery, watches and clocks, and valuable gifts, a sector which is important for our advertising revenue reported a decline of approximately 16% during the Period. Facing intensifying competition from digital media, traditional media have been grappling with falling readerships. In recent weeks, the increasingly difficult operating environment has led to the closures of several print media outlets. Major advertisers have become more cautious with their promotional campaign spending, which has in turn made it harder for our advertising business.

As a leading operator in Hong Kong, we have strived to provide our audience with a wide selection of programmes. We are pleased to have received in May 2015 approval for the renewal of our domestic free television programme service licence from the Hong Kong Government, enabling us to serve the community for another 12 years following the expiry of the current licence in November 2015. TVB has committed to invest not less than HK$6,336 million on programming and capital expenditure over the first six years of the new licence.

With a TV population of around 6.5 million viewers, we anticipate that the local TV market will become more competitive after the Hong Kong Government granted a new 12-year domestic free television programme service licence to HK Television Entertainment Company Limited, a member of the PCCW group, and approved in principle Fantastic Television Limited, a member of the Wharf group, to operate in the same marketplace. We are monitoring these developments closely.

While terrestrial TV broadcasting has always been a key entertainment platform in Hong Kong, TVB announced in April 2015 that a new over-the-top ("OTT") service will be introduced in early 2016. A multitude of TVB self-produced channels and acquired programmes will be made available on this new platform. This "second" entertainment platform, together with our "third" platform of mobile apps and website, will complement to TVB's terrestrial TV channels. Users will be able to enjoy a packaged service including extensive catch-ups, a video-on-demand library, together with viewing through mobile devices and portal. We hope that this will become a distinctive one-stop solution for our audience seeking entertainment programmes from both TVB and other foreign content providers.

During the Period, the Group strategically disposed of a 53% shareholding in Liann Yee Production Co., Ltd. in Taiwan. The move was in line with our long-term goal to focus more on developing our core businesses in Hong Kong and capturing vast growth opportunities in Mainland China and in the digital new media space. We believe that divesting ourselves of our majority shareholding in Liann Yee is an important step towards localisation and will drive our business further in Taiwan. This transaction has allowed us to partially unlock the value of our investment and return it to shareholders.

Over the last few months, we have announced a number of new Directors' appointments and a change in the composition of an upstream shareholder. Young Lion Holdings Limited, which indirectly holds 26% interest in the Company, introduced a new member, Mr. Li Ruigang, to this investor group. Mr. Li brings a wealth of experience and expertise in the media, television, movies, entertainment, sports and the Internet to the Group. His insights and connections in the broadcasting and media-related industries will help the Company gain a stronger foothold in Mainland China and the international markets. Our new Directors, Mr. Thomas Hui, Dr. William Lo, Professor Caroline Wang and Dr. Allan Zeman, are all renowned experts in their respective fields and bring important experience and contributions to the Company. With these recent changes, I am confident that the Company will go from strength to strength as we face the challenges ahead and meet the demands of our stakeholders.

Charles Chan Kwok Keung
Chairman

Hong Kong, 19 August 2015

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Revenue for Hong Kong TV broadcasting decreased by 12% from HK$1,581 million to HK$1,386 million, and the reportable segment profit before impairment loss on loan to and trade receivables from an associate fell 46% from HK$444 million to HK$240 million. Operating margin fell from 28% to 17% year-on-year.

TV ADVERTISING

Total advertising revenue from terrestrial TV channels for the Period dropped by 12% compared with last year. According to Government's published data, sales of all retail outlets experienced an average drop of 1.6% during the Period compared with last year. High value products including jewellery, watches and clocks, and valuable gifts, a sector which is important for our advertising revenue reported a decline of approximately 16% during the Period. Slower growth in Mainland China, a strong US dollar, and the recent local stock market fluctuations have been contributing to dampened retail sales to date. Tension in local politics could also negatively impact on confidence and willingness to invest in advertising.

Two key growth categories in the past – milk powder and skincare – recorded a significant drop in spending. While the milk powder category remained the top revenue generator in the Period, the actual spending was down by 15%. As skincare producers have been experiencing poorer sales, we noted a 40% less spending on our channels. Supermarkets, one of our top categories, recorded a 30% decline in spending as their marketing campaigns slowed down after the Chinese New Year in February. From past experience, spending will likely pick up again when the market recovers.

There are however a few bright spots including the travel agents category, which spent three times more than last year; the soap and shower gel makers and the toothpaste makers, which increased their spending by 143% and 10% respectively. Yet, the revenue increase from these categories could only compensate 74% of the spending decline.

TERRESTRIAL TV CHANNELS PERFORMANCE

Special efforts were made to ensure that the broadcasting schedules of our terrestrial TV complemented each other. This strategy was to enable the mass audience to focus on TVB's local productions on Jade during prime time.

To engage our core audience, popular productions hosted by iconic celebrities were brought back to our channels. At the same time, the introduction of programmes with innovative formats and themes helped diversify our offerings and broaden the audience pool.

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 82%, against a share of 80% from last year.

Penetration rate of digital terrestrial TV among Hong Kong households edged up to 86% in June 2015 from 82% in December 2014. As agreed with the Hong Kong Government, the switch off of analogue broadcasting has been extended to 2020.

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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 the 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

The second-line drama slot from 9:30 p.m. to 10:30 p.m. has been revised from weekday nights to all evenings to further cultivate habitual viewing. This timeslot will showcase top dramas, including both TVB-produced or acquired programmes.

Acquired Mainland Chinese drama serial *The Empress of China* kicked-off the daily 9:30 p.m. drama slot on Jade. TVB devoted substantial efforts to localising the serial by condensing the original 82 episodes into 74 episodes to cater to local preference for a quicker pace of viewing, and by producing three original theme songs in Cantonese together with mood music. This drama became the top-rated serial during the Period, which achieved an average consolidated TV rating[4] of 27.2 TVRs.

Legal drama *Raising The Bar* successfully attracted viewers with its cast of young actresses as pupil lawyers pursuing justice and was popular among the audience. Another serial *Young Charioteers*, also featuring a cast of young talents in a story about bicycle racing, love, and work.

The popular long-running situation comedy *Come Home Love* eventually wrapped up its original plot in July 2015 with a total of 804 episodes. A new spin-off series began in the same month with a new cast, story lines, and characters.

Popular non-drama programmes headlined by iconic TV hosts returned to Jade, providing quality entertainment to our audience. Some notable food and dining programmes were *Good Cheap Eats (Sr.3)*; *Eating Well With Madam Wong (Sr.2)* and *Neighbourhood Gourmet (Sr.3)*. Beloved music programme, *Sunday Songbird*, drew a steady pool of viewers with the powerful performances by veteran singers belting out classic Chinese oldies on Sunday nights.

Inspired by a US talk show, *Sze U Tonight* was produced and broadcast on Sunday late-nights. With its innovative formats and themes, this programme helped diversify and expand our audience pool.

HD Jade

Signature HD drama serials remain a key attraction of the channel. Among the more popular titles were acquired dramas *The Lost Daughter Returns* and *The Stand-In*. The signature timeslot will continue to bring more glamorous epic dramas to the audience. High-definition documentaries – broadcast on Sunday evenings – continued to generate promising ratings for HD Jade.

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4 Consolidated TV rating is defined as the summation of TV rating[5], online live rating[6] and online catch-up rating[7].

5 TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2015, the total TV population comprises 6,466,000 viewers, and therefore, 1 TVR represents 64,660 viewers (1% of the total TV population). Ratings data source: Nielsen TAM.

6 Online live rating is defined as an aggregate live rating of web and mobile apps platforms.

7 Online catch-up rating is defined as an aggregate catch-up rating of web and mobile apps platforms. Data of online live rating and online catch-up rating 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 64,660 viewers.

J2

During the Period, J2 further consolidated its position as a general entertainment channel targeting adults. The channel continues to enhance its offerings of high-quality in-house productions featuring a mix of young talents; J2 has also strategically rearranged its programmes for the evening timeslot on weekdays to boost viewership.

Collaborating with The Hong Kong Jockey Club, the station will provide live coverage of Mark Six draws from 1 August 2015 and race meetings in the next season.

Pearl

Since March 2015, Pearl's prime time programme schedule has been revamped to complement those of other channels. On weekdays, a new four-tier lineup offers lifestyle programmes, infotainment, the latest English dramas, and high-quality documentaries to our audience. The channel strategically launched a "Get a Life on Sat" campaign to boost viewership on Saturday nights with blockbuster movies which included *Avatar* and *Madagascar 3 Europe's Most Wanted*.

iNews and News Programmes

Since January, News Roundup has been extended to a whole hour on weekday nights to provide more in-depth news coverage that better accommodates audience's schedules.

The channel has also enriched its line-up by adding news analysis segments such as *News Scrutiny*, *Closer Look*, and *Behind the Headlines* to examine the hottest current affairs and behind-the-scene stories. Other newly introduced segments included *Big Big World II*, *HK Historical Sites*, and *International News Files*; these segments use a softer approach to enrich the audience's knowledge of history, little-known customs and traditions around the world, as well as past news events.

CHANNELS FOR PAY TV PLATFORM

To further strengthen our leading position as "Drama Kingdom" in the pay TV market, the Company launched four foreign drama channels, namely TVB Japanese Drama, TVB Korean Drama, TVB Chinese Drama, and TVB Drama Select in April 2015. The new channels complement the existing TVB Classic and TVB Encore, which feature vintage as well as the latest TVB dramas, to produce a comprehensive bundle of both local and acquired dramas. In addition, the station launched TVB Classic Movies in April 2015 to showcase local feature-length films made during the 1950s to 1970s. In total, TVB provides 13 channels on its pay TV platform, including non-drama channels TVB Window, TVB Food, TVB Sports, TVB Entertainment News, TVBN, and TVBN2, to cater for the diverse interests of our subscribers.

HONG KONG DIGITAL NEW MEDIA BUSINESS

Online advertising revenue in the Period fell primarily due to sluggish retail sales and a weaker economy. However, revenue from our new video-on-demand streaming service, GOTV, is on the rise as the number of subscribers has more than tripled since its launch in January 2014. GOTV had more than 90,000 paid subscribers as of the end of June 2015.

In May 2015, our flagship service, myTV, has undergone a major revamp aimed at boosting viewership by offering additional live streaming for Jade and improving the interface to make it easier to navigate. The revamp also provides cross-border access to the website and the mobile app between Hong Kong and Macau and enables users to do better searches and social sharing. In addition, a new pay service, subscription VOD has been integrated into myTV to boost video consumption.

A new OTT service offering a brand new TV viewing experience is targeted to be launched in early 2016. The service will provide a wide range of attractive contents including TVB's own programmes, premium acquired programmes, an extensive catch-up service, and a VOD library with tens of thousands of video selections. With broadband connection, this service will run smoothly on smart mobile devices, personal computers, and a new TVB-branded set-top-box that connects to a user's TV set; video quality will be upgraded with bit rates as high as 4Mbps for TV screens. Personalised services will also be offered to help users select their favourite programmes with ease and watch them anytime, anywhere. The OTT service will be offered to users via many sales channels once it is finalised.

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

For the Period, TVB's share of the net loss of TVBPVH was approximately HK$33 million (2014: HK$42 million). Due to rampant Internet piracy exacerbated by technological advancement globally, the content which TVB Network Vision has planned to bring to its viewers through a conventional subscription service is already widely available in the market, causing a significant shortfall in its revenue targets.

The original plan by TVB Network Vision to roll out an OTT service will now be carried out by TVB's digital new media unit, which has access to the vast TVB content library and the necessary skills for the technical design of the service.

As announced on 4 August 2015, an impairment loss totaling HK$654 million representing 100% of the Company's net interest (comprising cost of investment, loan, trade receivables less amounts of losses shared and impairment) in TVBPVH has been booked during the Period.

MAGAZINE BUSINESS

Amid ongoing economic uncertainty and shrinking advertising budgets, the magazine business imposed strict and effective cost controls in an attempt to improve its profitability. Total revenue during the Period decreased by 6% compared with last year.

Further cost-cutting measures are being put in place, due to a continuing decline in advertising spending particularly from luxury brands. As a result, the distribution of our upmarket magazine "Live", alongside TVB Weekly, has been changed from weekly to monthly, since July 2015.

MOVIE PRODUCTION

Triumph in The Skies, a remake of the hugely popular TVB drama series of the same title, was released in Hong Kong and the international markets during the Chinese New Year period in February 2015. This movie recorded a box office of RMB155 million in Mainland China and HK$22 million in Hong Kong, as of February 2015.

A total of eight titles are in various stages of preparation under various brands including Shaw Brothers Pictures. These productions are targeted for release in 2016 and beyond.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Total revenue from the programme licensing and distribution through telecast, video, and new media decreased by 6% from HK$516 million to HK$483 million during the Period.

In Malaysia, the overall economy was affected by the introduction of goods and services tax in April 2015 and the depreciation of the Malaysian ringgit, which hit a nine-year low against the US dollar in June 2015. With uncertainty over the economic environment, advertisers in both Malaysia and Singapore remained cautious on media placement.

To enhance the popularity of our channels in Singapore, we have scheduled an upgrade of TVB8, Xing He and TVBJ to high-definition format on StarHub Cable Vision Limited in the third quarter of 2015. News and entertainment news apps for mobiles and tablets have been developed and are targeted for launch around the same time. These new propositions will improve connectivity and provide our subscribers with a consistent viewing experience across all of their devices, enabling TVB to better cater to the changing viewing patterns of the young generation.

In Vietnam, we began providing Saigontourist Cable Television Company Limited with TVB dramas on the same day as they are broadcast in Hong Kong. This not only allows our new productions to be released ahead of pirates, but also helps increase our channel's advertising revenue of which we have a share. In addition, we are developing our business in Cambodia, which is becoming a key growth market.

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, Shanghai Media Group, and Gravity Corporation.

Due to programming cutbacks by satellite TV stations and stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") on imported dramas, our telecast licensing business on a nationwide basis was not as satisfactory as last year.

On a positive note, revenue from the Guangdong region rose more than 30% during the Period because of a growing demand for Cantonese-speaking dramas, which was encouraging. Demand also grew for VOD contents on the Internet, resulting in a substantial 85% increase in revenue.

Nevertheless, a new rule requiring all imported foreign contents to be censored by SAPPRFT before they are released on the Internet has taken effect since 1 April 2015. We are closely monitoring the effect of the new rule on our business.

Master of Destiny, a drama serial co-produced by TVBC, was released through national satellite TV channels during prime time and new media platforms. It recorded accumulated viewers of more than 870 million on Tencent's platform and ranked number two among other dramas released through the Internet in the same period.

TVBC will continue to invest in Mainland-produced dramas that qualify for prime time release on national satellite TV channels. It will also produce more Mainland dramas tailor made for release in the digital media, which is a rising trend in Mainland China.

TAIWAN OPERATIONS

TVBS – Taiwan

As announced by the Board in January 2015, the Group has entered into conditional Disposal Agreement with three independent third parties for disposal of 53% interest in Liann Yee, which operates the business of TVBS. The transaction was completed on 6 May 2015 after completion of reorganisation of the business in Taiwan and obtaining requisite regulatory approvals from relevant Taiwan authorities. Consequently, the Group's shareholding interests in Liann Yee was reduced to 47% and became a joint venture of the Group.

During the Period, the market share of TVBS News reached a new record high of 28% among all six news channels following a revamp 18 months ago that brought on new anchors, new programmes, and new virtue reality studio facilities. These efforts have proved to be very successful, with our channel leading the market by a wide margin of more than 5% compared to the second most-watched news channel. Our exclusive coverage of the devastating news report of a commercial airline crash in downtown Taipei was used by more than 800 major media outlets around the world giving both verbal and visual credits to TVBS. Our revamped official website, which now provides live webcasting of major events, has propelled our channel's ranking into the top 10 spots from below 30 previously.

As the very first full HD broadcaster, the penetration rate of the TVBS News and Entertainment channels has reached 99%, the highest in Taiwan's cable market. TVBS was also the first broadcaster to introduce a full 4K production line in house. The channel provided a live 4K feed of the 2015 New Year firework show at Taipei 101 to leading broadcasters globally and received many positive responses, further strengthening its reputation.

OVERSEAS PAY TV OPERATIONS

The combined revenue from our three overseas pay TV platforms in Europe, Australia and North America (USA) dropped by 23% to HK$93 million (2014: HK$122 million) during the Period. Illegal OTT set-top boxes carrying vast quantities of pirated programmes continued to cause a decline in subscription revenue and the number of subscribers. We are changing our business model from satellite delivery to an OTT-based delivery in order to lower operating costs.

To safeguard our pay TV business against rampant OTT piracy, we have actively taken legal, operational and marketing actions with good progress. In the United States, we obtained a preliminary court injunction against a major OTT pirate and its distributors under a joint legal action with DISH Network and CCTV. Moreover, the Senate of the Australian Government passed in June a site-blocking anti-piracy bill. We have also launched our own OTT services in Australia and Europe to replace the traditional satellite direct-to-home platform with the aim of bringing costs down and reversing the loss of subscribers and restore profitability.

CHANNEL OPERATIONS

TVB8 and Xing He Channels

Total revenue recorded a 12% drop to HK$55 million during the Period. To address the demand for better picture quality, we have scheduled an upgrade of TVB8 and Xing He channels to HD format in Singapore, Malaysia, Indonesia and other Asian markets in the third quarter. We plan to compile a premium Xing He HD channel with the aim of capturing mainstream audiences in various markets by providing different dubbed languages for their selection. Such enhancements will provide added value to new and existing subscribers and affiliated platforms, and will help sustain our competitive advantage in those markets.

COMBATING PIRACY

Hong Kong customs and Macau customs conducted a joint operation on 11 May 2015 and smashed a syndicate engaged in illegally uploading TVB programmes to a pirated website for public sharing. Three people were arrested and a large quantity of computers and recording equipment were seized.

TVB continues to work with law enforcement agencies in Mainland China to take actions against illicit websites, apps, and set-top boxes carrying programmes that infringe on TVB copyrights. Investigations are ongoing.

In the United States, we succeeded in a civil action against several retailers and the manufacturer of a TV box illegally carrying TVB programmes. We are also exploring the feasibility of adopting site-blocking applications in the United Kingdom to tackle TV box piracy.

As a long-term strategy to protect our interests, we have lobbied different governments to amend their copyright legislations in the fight against Internet piracy. In Hong Kong, many legislators have reacted positively to our lobbying efforts and have expressed support for the legislation of new provisions to halt the sales of pirated TV boxes. We will continue to engage relevant authorities to combat piracy.

FINANCIAL REVIEW

OPERATING RESULTS FOR THE PERIOD

Discontinued operations

On 6 May 2015, the Group completed the disposal of its 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,695,000,000 (approximately HK$1,182,144,000). Totally a disposal gain of HK$1,395,770,000, represented by a gain on disposal of the equity interest of HK$851,621,000 and a gain on retained interest of HK$544,149,000, was recognised. Details of this disposal were set out in Note 16 to the condensed consolidated financial information.

Consequently, Liann Yee Group has ceased to be a subsidiary and has become a joint venture of the Group. The Group has adopted equity accounting in respect of the retained interest in Liann Yee Group thereafter. Liann Yee Group's profit for the period from 1 January to 5 May 2015 was presented as discontinued operations in the condensed consolidated financial information and last year comparatives were restated accordingly.

By the adoption of equity accounting, Liann Yee Group's assets and liabilities had not been included in the Group's condensed consolidated statement of financial position as at 30 June 2015. Investment cost of the retained 47% equity interest in Liann Yee Group and the non-current portion of the shareholder loan to Liann Yee Group have been included in "Interests in joint ventures" in the condensed consolidated financial information. Current portion of the shareholder loan to Liann Yee Group was separately shown as "Loan to a joint venture" in the condensed consolidated financial information. Neihu Real Estate and Bade Real Estate were transferred from Liann Yee Group to the Group prior to the completion of the disposal transaction. Thereafter, the Group leased back certain portion of the properties to Liann Yee Group on normal commercial terms. Accordingly these properties were included as "Investment properties" in the Group's condensed consolidated statement of financial position.

Continuing operations

For the six months ended 30 June 2015, the Group recorded a revenue of HK$2,031 million (2014: HK$2,289 million), representing a decrease of 11% over the same period of last year. Cost of sales amounted to HK$904 million (2014: HK$942 million), representing a decrease of 4% over the same period of last year. Gross profit amounted to HK$1,126 million (2014: HK$1,347 million), representing a decrease of 16% over the same period of last year.

The drop in revenue was mainly because advertising income from Hong Kong had decreased due to the weaker retail market, and there was revenue generated from the World Cup event in last period.

Included in cost of sales were the cost of programmes, film rights and stocks for the Period which amounted to HK$669 million (2014: HK$724 million), representing a decrease of 8% over the same period of last year. The decrease in cost of sales was attributable to the absence of licence rights and production costs for the broadcast of World Cup related programmes for the World Cup event in last period.

Selling, distribution and transmission costs for the Period amounted to HK$270 million (2014: HK$268 million), an increase of 1% as comparable with the same period of last year.

General and administrative expenses for the Period amounted to HK$396 million (2014: HK$340 million), representing an increase of 16% over the same period of last year. The increase in general and administrative expenses was mainly because there was reversal of provision for impairment on receivables from third parties during the same period of last year.

During the Period, the Group shared losses of HK$33 million of TVBPVH, an associate of the Group engaging in Hong Kong pay TV business. When compared with the losses shared of HK$42 million for the six months ended 30 June 2014, the decrease in the losses was mainly due to the decreases in operating costs.

Further to a review of the recoverability of the loan to and trade receivables from TVB Network Vision, the Hong Kong pay TV business operating company of TVBPVH, at 30 June 2015, an impairment loss amounting to HK$654 million was recognised in the condensed consolidated financial information for the Period due to continuous losses sustained and the unfavourable operating environment for traditional pay TV businesses. After making this impairment loss, the total interests in TVBPVH as of 30 June 2015, which represented the total cost of investment, a long-term loan and trade receivable balances less the accumulated share of losses and impairment, had been fully written off.

Income tax for the Period amounted to HK$65 million (2014: HK$114 million), a decrease of 43% over the same period of last year because of lesser profits earned by the Group during the Period. The Group's major subsidiaries operate in the countries whose effective tax rates vary from 0% to 41%.

Overall, the Group's loss attributable to equity holders for continuing operations amounted to HK$278 million (2014: profit of HK$606 million).

Earnings per share

The basic and dilute earnings per share from continuing and discontinued operations was HK$2.62 (2014: HK$1.60).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained strong. At 30 June 2015, total equity stood at HK$8,025 million (31 December 2014: HK$8,704 million).

The Group had unpledged bank deposits and cash balances of HK$2,856 million at 30 June 2015 (31 December 2014: HK$3,332 million). About 15% 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 and Renminbi.

Trade receivables from third parties amounted to HK$1,184 million (31 December 2014: HK$1,551 million) decreased by 24% over the last year end. In addition to trade receivables from Liann Yee Group not to be included in the condensed consolidated statement of financial position as explained in Discontinued Operations, 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, explained the decrease. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

As the Group had reached a settlement with the Inland Revenue Department of Hong Kong on the tax audit in respect of the profits generated by the Group's programme licensing and distribution business carried out overseas, the tax reserve certificates purchased as at last year end were used for the tax settlement during the Period. Over-purchased tax certificates were refunded during the Period. Accordingly, the income tax liabilities of the Group at 30 June 2015 were decreased.

The Group's net current assets amounted to HK$4,758 million (31 December 2014: HK$5,314 million), representing a decrease of 10% over the last year end. The current ratio, expressed as the ratio of current assets to current liabilities, was 8.2 at 30 June 2015 (31 December 2014: 5.0).

The Group's total bank borrowings at 30 June 2015 were HK$401 million (31 December 2014: HK$392 million), which were related to a secured bank loan denominated in New Taiwan dollars and floating interest bearing. The maturity profile of the Group's borrowing was as follows: in the second year, HK$2 million (1%); in the third to fifth years, HK$93 million (23%); over five years, HK$306 million (76%). At 30 June 2015, the gearing ratio, expressed as the ratio of gross debts to total equity, stood at 5.0% (31 December 2014: 4.5%).

At 30 June 2015, certain investment properties of a subsidiary of the Group with net asset value of HK$631 million were pledged to secure a bank loan granted to that subsidiary. In addition, bank deposits and cash at banks of HK$9 million were pledged to secure banking facilities granted to certain subsidiaries of the Group.

At 30 June 2015, capital commitments of the Group amounted to HK$674 million (31 December 2014: HK$860 million), representing a decrease of 22%.

FINANCIAL GUARANTEES

At 30 June 2015, there were guarantees given to banks amounting to HK$21 million (31 December 2014: HK$22 million) for banking facilities granted to an investee company and a joint venture.

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 2015, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiaries, a total of 4,123 full-time employees (31 December 2014: 5,273). The staff of Liann Yee Group were excluded after completion of the disposal.

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 4% 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 one Director was not able to attend the annual general meeting of the Company held on 20 May 2015 due to prior engagement in respect of 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.

Dr. William Lo Wing Yan, who was appointed as an Independent Non-executive Director of the Company on 11 February 2015, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman, who were appointed as Independent Non-executive Directors of the Company on 1 April 2015, and Mr. Thomas Hui To, who was appointed as a Non-executive Director of the Company on 23 April 2015, confirmed, following specific enquiries by the Company, that they had complied with the Model Code from the respective dates of their appointment as a Director of the Company until 30 June 2015.

Dr. Chow Yei Ching, who resigned as an Independent Non-executive Director of the Company on 1 March 2015, confirmed, following specific enquiries by the Company, that he had complied with the Model Code throughout the period between 1 January 2015 and 28 February 2015.

Ms. Cher Wang Hsiueh Hong, who resigned as a Non-executive Director of the Company on 23 April 2015, confirmed, following specific enquiries by the Company, that she had complied with the Model Code throughout the period between 1 January 2015 and 22 April 2015.

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.

ESTABLISHMENT OF RISK COMMITTEE

A Risk Committee of the Board ("Risk Committee") has been established on 19 August 2015. The Risk Committee comprises five members, Dr. Raymond Or Ching Fai (Chairman), Dr. William Lo Wing Yan and Professor Caroline Wang Chia-Ling, all are Independent Non-executive Directors of the Company, Mr. Mark Lee Po On and Mr. Cheong Shin Keong, both are Executive Directors of the Company.

The Risk Committee is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, and ensuring that the Company establishes and maintains sound appropriate and effective risk management and internal controls systems. The terms of reference of the Committee are available on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the website of the Company.

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, 18 September 2015 to Monday, 21 September 2015, 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, 17 September 2015.

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 (www.hkexnews.hk). The Company's 2015 Interim Report containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be despatched to shareholders and made available on the above websites in mid-September 2015.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 19 August 2015

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

Chairman and Non-executive Director

Dr. Charles CHAN Kwok Keung

Executive Directors

Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager

Non-executive Directors

Mona FONG
Jonathan Milton NELSON
Anthony LEE Hsien Pin
CHEN Wen Chi
Thomas HUI To

Independent Non-executive Directors

Dr. Raymond OR Ching Fai SBS, JP
Dr. William LO Wing Yan JP
Professor Caroline WANG Chia-Ling
Dr. Allan ZEMAN GBM, JP

Alternate Directors

Dr. Allan YAP Alternate Director to Dr. Charles CHAN Kwok Keung
Harvey CHANG Hsiao Wei Alternate Director to CHEN Wen Chi
Jessica Huang POULEUR Alternate Director to Jonathan Milton NELSON