



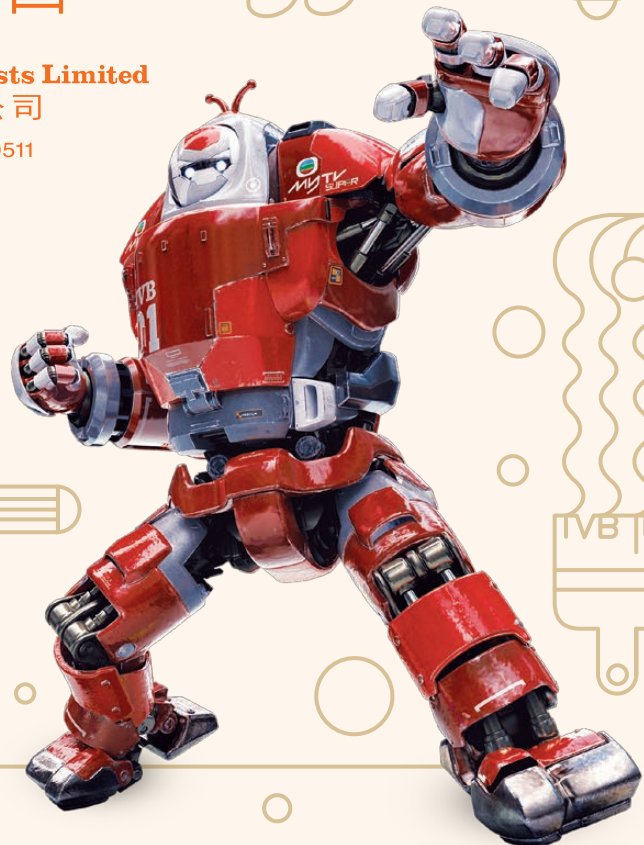
# TVB 2017

## INTERIM REPORT 中期報告



**Television Broadcasts Limited**  
電視廣播有限公司

Stock Code 股份代號 : 00511



# 50

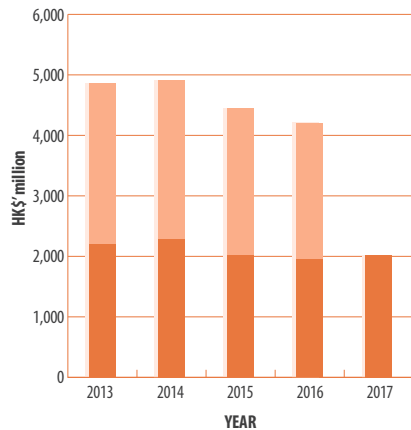
ANNIVERSARY

# FINANCIAL HIGHLIGHTS

## Revenue

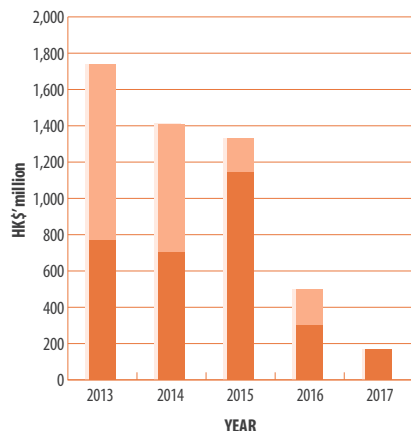
Continuing operations

1st Half 2nd Half



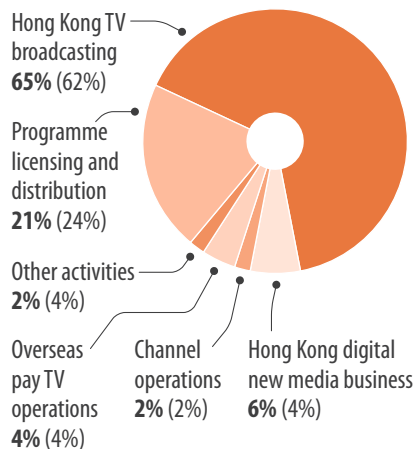
## Profit Attributable to Equity Holders of the Company

1st Half 2nd Half



## Revenue by Operating Segment

% relating to 1st half of 2016 are shown in brackets



## Six months ended 30 June

2017

2016

Change

### Performance

Earnings per share	HK\$0.39	HK\$0.69	-44%
Dividend per share			
- 2017 first interim dividend	HK\$0.60	-	
- 2017 second interim dividend/ 2016 interim dividend	HK\$0.30	HK\$0.60	

### Revenue

	2017	2016	Change
- Hong Kong TV broadcasting	1,340	1,235	9%
- Hong Kong digital new media business	122	84	46%
- Programme licensing and distribution	479	532	-10%
- Overseas pay TV operations	75	84	-11%
- Channel operations	43	46	-5%
- Other activities	71	75	-5%
- Inter-segment elimination	(109)	(92)	19%
<b>Total Revenue</b>	<b>2,021</b>	<b>1,964</b>	<b>3%</b>

### Segment profit / (loss)\*

	2017	2016	Change
- Hong Kong TV broadcasting	82	40	103%
- Hong Kong digital new media business	(60)	(18)	225%
- Programme licensing and distribution	247	287	-14%
- Overseas pay TV operations	(28)	(18)	55%
- Channel operations	8	2	237%
- Other activities	29	18	65%
- Corporate support	(79)	-	N/A
<b>Total Segment Profit / (Loss)</b>	<b>199</b>	<b>311</b>	<b>-36%</b>

### Total expenses<sup>Δ</sup>

2017	(1,810)	(1,678)	8%
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### Profit attributable to equity holders

2017	170	302	-44%
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30 June 2017

31 December 2016

HK\$'mil

HK\$'mil

Total assets	12,036	12,357	-3%
Total liabilities	4,865	5,127	-5%
Total equity	7,171	7,230	-1%

### Number of issued shares

2017	438,000,000	438,000,000
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### Ratios

Current ratio	9.8	10.1
Gearing	53.1%	53.1%

\* excluding non-recurring income

Δ represented the total of cost of sales, selling, distribution and transmission costs and general and administrative expenses

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### CHAIRMAN

Dr. Charles CHAN Kwok Keung

### VICE CHAIRMAN

LI Ruigang

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTORS

Dr. Charles CHAN Kwok Keung  
LI Ruigang  
Mona FONG  
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, GBS, JP

## BOARD COMMITTEES

### EXECUTIVE COMMITTEE

Dr. Charles CHAN Kwok Keung Chairman  
Mark LEE Po On  
CHEONG Shin Keong  
CHEN Wen Chi  
Thomas HUI To

### AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman  
Anthony LEE Hsien Pin  
Dr. Raymond OR Ching Fai  
Professor Caroline WANG Chia-Ling

### REMUNERATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman  
Dr. Charles CHAN Kwok Keung  
Dr. William LO Wing Yan

## NOMINATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman  
Anthony LEE Hsien Pin  
Dr. William LO Wing Yan  
Dr. Allan ZEMAN

## RISK COMMITTEE

Dr. Raymond OR Ching Fai Chairman  
Mark LEE Po On  
CHEONG Shin Keong  
Dr. William LO Wing Yan  
Professor Caroline WANG Chia-Ling

## SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer  
CHEONG Shin Keong General Manager  
Desmond CHAN Shu Hung Deputy General Manager  
(Legal and International Operations)  
Felix TO Chi Hak Deputy General Manager  
(Programme and Production)  
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

## COMPANY SECRETARY

Adrian MAK Yau Kee  
Email: [companysecretary@tvb.com.hk](mailto:companysecretary@tvb.com.hk)  
Fax: +852 2358 1337

## REGISTERED OFFICE

TVB City, 77 Chun Choi Street  
Tseung Kwan O Industrial Estate  
Kowloon, Hong Kong

## AUDITOR

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

## LEGAL ADVISER

Stephenson Harwood  
18/F, United Centre  
95 Queensway, Hong Kong

## PRINCIPAL BANKERS

Shanghai Commercial Bank Limited  
Bank of Communications Co., Ltd.  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Chong Hing Bank Limited  
The Bank of East Asia, Limited  
Bank of China (Hong Kong) Limited

## SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## STOCK CODES

TVB Ordinary Shares

The Stock Exchange of Hong Kong: 00511  
Reuters: 0511.HK  
Bloomberg: 511 HK  
ADR Level 1 Programme: TVBCY

TVB Finance Guaranteed Notes

The Stock Exchange of Hong Kong: 04577  
ISIN: XS1495978329  
Common Code: 149597832

## AMERICAN DEPOSITARY RECEIPTS

BNY Mellon Shareowner Services  
P.O. Box 30170  
College Station  
TX 77842-3170  
USA

## INVESTOR RELATIONS

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Fax: +852 2358 1337

## WEBSITE

[www.corporate.tvb.com](http://www.corporate.tvb.com)

## CORPORATE CALENDAR

### FOR TELEVISION BROADCASTS LIMITED SHAREHOLDERS

**EX-DIVIDEND DATE OF 2017 SECOND INTERIM DIVIDEND**  
18 September 2017

**BOOK CLOSE PERIOD**  
20 September 2017 to 22 September 2017,  
both days inclusive

**PAYMENT OF 2017 SECOND INTERIM DIVIDEND**  
4 October 2017

### FOR HOLDERS OF US\$500,000,000 AGGREGATE PRINCIPAL AMOUNT OF 3.625 PERCENT GUARANTEED NOTES DUE 2021 ISSUED BY TVB FINANCE LIMITED

**INTEREST PAYMENT FOR 2017**  
1st interest payment: 11 April 2017  
2nd interest payment: 11 October 2017

**MATURITY DATE**  
11 October 2021

# CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("Board") is pleased to present the condensed consolidated interim financial information of Television Broadcasts Limited ("Company" or "TVB") and its subsidiaries ("Group") for the six months ended 30 June 2017 ("Period").

## RESULTS AND INTERIM DIVIDEND

During the Period, the Group's revenue increased by 3% from HK\$1,964 million to HK\$2,021 million. The total costs rose by 8% from HK\$1,678 million to HK\$1,810 million. Profit from continuing operations for the Period was HK\$173 million, compared to HK\$249 million in the previous period. The Group's profit attributable to equity holders for this Period was HK\$170 million, compared to HK\$302 million from the previous period. Earnings per share for the Period was HK\$0.39 (2016: HK\$0.69).

Reference is made to the Board's resolution to defer dividend proposal in the announcement dated 29 March 2017 for the 2016 Annual Results. On 24 May 2017, the Board declared an interim dividend of HK\$0.60 per share for the year ending 31 December 2017 to Shareholders of the Company. This interim dividend was paid to Shareholders on 22 June 2017. A second interim dividend of HK\$0.30 per share for the year ending 31 December 2017 was declared by the Board on 23 August 2017.

## SHARE BUY-BACK

The Board is devoted to enhance value for our Shareholders. As announced on 24 January 2017 and revised on 13 February 2017, the Company put forward a revised proposal to buy back 120 million shares out of a total of 438 million shares (representing approximately 27.40%) at the offer price of HK\$35.075 per share ("Offer") which requires a cash outlay of HK\$4,209 million. The outcome of the Offer is pending upon the Company's application to the High Court for a judicial review on certain decisions of the Takeovers and Mergers Panel of the Securities and Futures Commission. A court hearing has been scheduled on 26 and 27 September 2017. The Company shall update Shareholders after the court's determination.

## BUSINESS AND OUTLOOK

Consolidation of the advertising market in Hong Kong continued during the Period which extended the down trend since the financial year 2015. However, we are pleased to note that advertising sales has exhibited in recent months signs of stabilisation, hopefully leading towards a recovery phase. Through continuous effort to strengthen sales, income from advertisers generated from terrestrial TV broadcasting, our "first" platform, has stabilised and reported a small increase of 0.6% during the Period.

Launched in April 2016 as our "second" platform, over-the-top ("OTT") service myTV SUPER has been delivering promising growth and registered initial success. The service has garnered over 4.4 million users in Hong Kong, with 1.2 million users consuming contents either through set-top-boxes ("STB") or web, while 3.2 million accounts operate via mobile app. Our result has excelled well above the humble initial target of 1.4 million users set last year. Since launch, we are noticing a steady shift of TV consumption to this platform, boosting up our TV ratings by as much as 1.07 TVRs. This trend is showing that delivery through OTT is becoming a growing audience segment. For a similar service overseas, an upgraded version of TVB Anywhere has been introduced and replaced the traditional satellite pay TV services in Australia and Europe.

In July 2017, we launched the social media app, Big Big Channel, as our "third" platform with much fanfare and anticipation. This new online social-entertainment platform, carrying original short formatted content which features TVB's artistes and KOLs, is expected to attract followers globally.

From terrestrial, OTT to social media, we have successfully completed the execution of our three-platform strategy, which positions us as a major multi-media platform in Hong Kong, offering one-stop solution to advertisers for airtime commercials and content marketing. With these three platforms, we endeavour to maintain our position in the advertising market, and to increase our global footprint, by delivering high quality content that closely engages with our audience.

During the Period, we completed and delivered the first two of a new series of co-produced drama to our partners in Mainland China for exhibition on their online platforms. These co-produced drama serials will further excel our brand and artistes in one of the fastest growing market in the world. Further titles of this series will be rolled out during the latter half of 2017 and 2018.

In July 2017, we announced a formation of a US\$100 million joint venture with Imagine Entertainment, an Academy Award and Emmy-winning production company founded and led by Brian Grazer and Ron Howard, to finance the development and production of a slate of television serials. We are extremely delighted with this new international cooperation, and very much look forward to the opportunities to collaborate in productions.

**Charles Chan Kwok Keung**  
Chairman

Hong Kong, 23 August 2017



# REVIEW OF OPERATIONS

## HONG KONG TV BROADCASTING

Hong Kong TV Broadcasting continues to be our largest revenue contributor, accounting for 65% of the Group's revenue. During the Period, segment revenue (including advertising and production income) increased by 9% from HK\$1,235 million to HK\$1,340 million.

## TV ADVERTISING

After a prolonged cyclical downturn, the Hong Kong economy experienced a mild recovery in the first half of 2017, and registered a growth in GDP of 4% during the first half of 2017. This growth has begun to benefit the retail sector progressively over time. The monthly retail sales index which has suffered from year-on-year declines in the last two years finally exhibited a 3% growth in March 2017, and then supported by continued small growth in the following consecutive months.

The advertising market, however, has yet to recover, as total advertising spending in Hong Kong was estimated to have fallen by 4% year-on-year in the first half of 2017. We are pleased to note that advertising sales has exhibited in recent months signs of stabilisation, hopefully leading to a recovery phase. With our well-founded position in the TV market with extensive audience reach, our advertising sales was less affected.

During the Period, income from advertisers derived from Hong Kong terrestrial TV broadcasting was HK\$1,130 million (2016: HK\$1,122 million), an increase of 0.6%. We are noting some signs of stabilisation in the advertising market, after a continuous fall from the peak of HK\$3,195 million recorded in the financial year of 2014. We hope that these signs are indicative of a market recovery.

To better position ourselves for market changes, we streamlined the sales team and upgraded the booking and billing system to enhance our advertising sales service. We took advantage of the events celebrating the 20<sup>th</sup> anniversary of the establishment of the Hong Kong SAR to recruit governmental and related advertising budgets. Moreover, a number of TV advertising packages targeting a wide range of advertiser segments were introduced. In particular, our one-stop advertising package, namely Perfect Match Ad Package, continues to deliver great value to advertisers.

The government/quasi-government category recorded nearly 100% increase in revenue, making it one of the top ten spending category in the first half of 2017. Finance companies were aggressive spenders, recording more than 40% growth in advertising spending during the Period. However, our staple categories, like milk powder and skin care, did not perform so well, recording declines of 11% and 12%, respectively.

## TERRESTRIAL TV CHANNELS

During the last 18 months, two new entrants Viu TV (being operated by the PCCW group) and Fantastic TV (being operated by the i-Cable group) made their formal debuts. Together with the three channels from the government-run Radio Television Hong Kong, viewers have access to a total of 11 channels in the domestic free TV market.

TVB continues to broadcast using the terrestrial TV spectrum a total of five channels, namely Jade (channel 81), J2 (channel 82), TVB News (channel 83), Pearl (channel 84) and TVB Finance (channel 85). This multi-channel strategy has been designed to address the viewing habits of a wide demographic group.

TVB Finance, rebranded from J5, is the only free 24 hours financial news channel in Hong Kong, and additionally offers content covering current affairs, properties and capital market news, health and wealth management, and technologies.



Drama serial has always known as TVB's most iconic programmes. During the Period, we completed the first two of our co-produced drama serials *Legal Mavericks* and *Line Walker: The Prelude* with iQiyi and Tencent, respectively. In June 2017, we started to release *Legal Mavericks* during Jade's weekend prime time, and expect to release more co-produced titles in the latter part of 2017 and 2018. We believe that, through working with these leading online platforms in Mainland China, we can showcase drama genre which carries a distinctive Hong Kong origin and further help develop business opportunities there.

### JADE CHANNEL

Self-produced dramas and variety shows are the biggest draw for Jade. To address the increasing viewers' demand, we further enriched the content offering by producing 4K drama, a new line of co-produced drama serials, as well as acquiring top class drama from hit Asian production houses.

During the Period, *My Unfair Lady*, our first 4K and on-location production drama, was well-received by the market amidst enthusiastic acclaim and market attention. The drama attracted a high number of followers shortly after broadcast, many of which originated from myTV SUPER catch-up service, as the stream views of the drama accumulated to 11.7 million. The programme was the top rated drama in the Period, accumulating an average rating<sup>1</sup> of 28.5 TVRs.

A new series of weekend only prime time drama kicked off in June 2017 with *Legal Mavericks*, our first co-produced title with iQiyi from Mainland China. This drama curated an unusual storyboard depicting encounters of a blind barrister and his team members, and was assisted by a fresh approach to on-location shooting. With a weekend only schedule, this drama captured a steady group of audience, viewing the programme live and on demand.

The acquired known work of Jin Yong's *The Legend of the Condor Heroes* brought audience a newfangled recreation of this classic martial arts drama with an entirely new cast. The title theme music borrowed from the original series created back in 1983 by TVB was adopted and used in the current series.

To celebrate the 20<sup>th</sup> anniversary of the establishment of the HKSAR, TVB Jade arranged a series of celebrating programmes to share the joy together with Hong Kong residents and overseas Chinese communities. *The Grand Variety Show In Celebration Of The 20th Anniversary Of Hong Kong's Return To The Motherland* was a TV spectacular rejoicing this important milestone. The colorful and fascinating *Fireworks Display For Celebration Of The 20th Anniversary Of The Establishment Of The HKSAR* broadcasted on 1 July 2017 drew in high viewership.

Another gala show was a prologue programme for the launch of Big Big Channel – *Big Big Kids Awards 2017*, which showcased talent contest of kids from all ages.

Self-produced cooking and dining programmes remain audiences' favorable variety genre all along. During the Period, our anchor series of food related programmes continues with *Eating Well With Madam Wong (Sr.3)*, *Good Cheap Eats (Sr.6)* and *The Ahistoric Grandpa Cooking Show*, and *Dinner Ma's*.

### J2 CHANNEL

Self-produced programmes targeting the young generation remain as J2's key focus. Beginning from June 2017, J2 works closely with Big Big Channel by running joint promotions (e.g. *Young And Restless*), and deploying J2's featured hosts and Big Big Channel's KOLs to cultivate a young community.

<sup>1</sup> Average rating is defined as the summation of TV set rating and myTV SUPER rating. TV set rating denotes live viewing from terrestrial TV. myTV SUPER rating includes live viewing, time shift viewing, and catch up viewing within 7 days on myTV SUPER's OTT box, mobile app and website. The average rating represents the size of the audience expressed as a percentage of the total TV population. For 2017, the total TV population comprises 6,499,000 viewers, and therefore, 1 TVR represents 64,990 viewers (1% of the total TV population). Data of TV set is sourced from Nielsen TAM. Data of myTV SUPER is sourced from Nielsen SiteCensus. The conversion of myTV SUPER online data to rating is supported by a certified document issued by Nielsen dated 24 July 2013.

# REVIEW OF OPERATIONS

Popular in-house produced travel programmes *Thai Rogered* and *Helen TO-KYO!* continued during the Period.

Numerous acquired programmes played an important roles to keep J2 appealing. *Doctor-X (IV)*, *Legend of the Blue Sea* are some well-received programmes among the J2 offerings. J2 also brought the world's most influential regional award to audience. In March 2017, audience enjoyed the live award ceremony of *11th Asian Film Awards* on J2.

## TVB NEWS CHANNEL AND NEWS PROGRAMMES

TVB News<sup>2</sup> remains the most watched news medium as well as the top choice for audience in Hong Kong. Round-the-clock news reports and informative news segments helped sustain viewership.

TVB News broadcasted extensively live reports on the 2017 Chief Executive Election across multiple terrestrial channels and online platforms, keeping viewers abreast with the events. During the three-day official visit of President Xi Jinping to Hong Kong for celebration of the 20<sup>th</sup> anniversary of the establishment of the HKSAR, Jade and TVB News closely followed and timely reported the public engagements of President Xi.

In addition to news reporting, programmes produced by TVB News covered hot topics like Belt and Road. *Belt and Road Initiative* offered clear and concise of reports on the countries covered, policies and opportunities.

## PEARL CHANNEL

Pearl continues to deliver quality English-language programme to audience. To coincide with the release of the live-action film *Beauty and the Beast* on the stage, Pearl bought audience the classic animated film of the same title which rose to become the top-rated movie of the channel. The premiere of a new series of *Prison Break* and drama *Code Black* were scheduled in April and June 2017.

Pearl successfully built a pivotal documentary slot with sustained viewership. Signature high-definition documentary time slot, *Pearl Spectacular* showcasing the natural wonders, together with the health related documentary, *Well Being* series generated positive feedback.

## TVB FINANCE CHANNEL

After one-year development from its official launch since February 2016, TVB Finance<sup>3</sup> successfully built up its image of a high quality wealth and knowledge channel. A series of station-produced wealth management programmes such as *Closer Look at Property*, *A Dream Home Planning*, *Investment Tips*, *Biz Triz*, and *Innovation GPS* offered multiple choices with investment related theme.

Varied enrichment and knowledge-based documentaries, such as *Discover 30 Degrees North Latitude (II)*, *Food Odyssey*, *Try and Gotcha* were aired on TVB Finance.

TVB Finance introduced a series of financial programmes starting from March 2017, *Morning Market Review* and *Pre-market Outlook* on 20 March 2017, *Market Wrap Up* and *Finance at 10* on 8 May 2017, which pave the way for the revamp to an all-day finance related channel in August 2017.

<sup>2</sup> iNews was renamed TVB News channel on 15 August 2017.

<sup>3</sup> J5 was rebranded TVB Finance channel on 15 August 2017.

## HONG KONG DIGITAL NEW MEDIA BUSINESS

Digital new media business remains one of our key growth drivers. During the Period, segment revenue increased by 46% from HK\$84 million to HK\$122 million, reflecting a full six months' service of myTV SUPER in 2017. Together with Big Big Channel, we anticipate further expansion of our digital new media business as we are able to cover a much larger demographic of the viewing population.

### myTV SUPER

Having achieved initial success since its launch in April 2016, myTV SUPER is on its way to becoming Hong Kong's largest OTT online video platform for long-form video content in terms of streaming capacity, quality and stability. This service is available through mobile devices, STB, web-based devices. A programme download function has been introduced to mobile app users since April 2017, as part of a service enhancement. A user interface was developed to showcase and promote special event content, such as major sporting events and new content packages. Streaming performance continues to improve, growing healthy in tandem with the subscriber base and the usage levels.

myTV SUPER service now carries more than 50 live channels (including 20 TVB branded channels) and over 36,000 hours of content on demand. During the Period, we further enriched the content offering by adding new channels like the Chinese Opera Channel, Celestial Classics Movies, KIX, Thrill, tvN, Nickelodeon, and Nick Junior. New VOD packages bundling these channels were also introduced, in addition to a myTV SUPER Movie SVOD<sup>4</sup> package, featuring older titles such as the Bruce Lee's movies in 4K.

Hard bundled arrangements with two major ISPs, namely Hong Kong Broadband Network and Hutchison Telecommunications, continued to perform well, bringing a steady growth in subscribers. The smooth migration of free-tier users from the previous service of TVB.COM to myTV SUPER also contributed to the rapid uptake in subscribers. Currently, myTV SUPER has over 4.4 million users, excelling well above our initial target of 1.4 million users by November 2017. Among these users, 1.2 million users consume contents either through STB or web while the remaining 3.2 million use mobile app. We have been noting a gradual shift of TV consumption to this OTT platform, boosting up our 24 hours TV ratings in Hong Kong by as much as 1.07 TVRs<sup>5</sup>.

The increasing subscriber numbers and stream views on myTV SUPER are helping advertising sales growth and our negotiations with advertisers. To improve the monetisation, we have introduced new advertising features on STB, which include distributing banner ads and U-shaped display ads during live and as-live viewing. These new features are expected to contribute to future revenue growth.

With this momentum, the rate of expenditure recovery is accelerating, and it is anticipated to attain full recovery of recurring expenditure by the end of this year.

<sup>4</sup> SVOD stands for streaming video on demand.

<sup>5</sup> Data of myTV SUPER is sourced from Nielsen SiteCensus. The conversion of myTV SUPER online data to rating is supported by a certified document issued by Nielsen dated 24 July 2013.

# REVIEW OF OPERATIONS

## Big Big Channel

To complete digital new media plan, we launched a new online social media platform, Big Big Channel, officially on 23 July 2017. Big Big Channel connects with the users via a free mobile app, which provides short formatted contents for chic topics like home-cooking, dining-out, beauty advice, child-caring, music, adolescents and online games. This new platform is expected to attract followers globally by using self-produced content, featuring TVB's artistes and KOLs. Big Big Channel is capable of delivering content marketing for advertisers by using content spun off from TVB's programmes and interactive online games, which can be expanded into an e-commerce business. Through this innovative social experience on Big Big Channel, artistes, KOLs and fans can strengthen their bonds, enabling fans to chat online and send virtual gifts to artistes.

Since launch, the number of registered users to date is in excess of 1.28 million. This represents a good head start for the development of this platform and a fast expenditure recovery is expected in the development period. We target to achieve 3 million subscribers in a year's time, by leveraging our dominant market share in terrestrial TV and the fast-growing user base of our OTT platform.

## OTHER HONG KONG OPERATIONS

### INVESTMENT IN THE MOVIE BUSINESS

Shaw Brothers Holdings (Hong Kong listed, stock code: 00953) and Flagship Entertainment Group are the two major movie investment platforms of the Group. A number of movies are under production.

## MUSIC ENTERTAINMENT

The Voice Entertainment Group Limited ("Voice Entertainment"), a wholly-owned subsidiary of the Company. Voice Entertainment engages in artistes' sound recordings, music productions, music copyrights management, music publishing, and artistes' management.

To further strengthen its artiste base, Hana and Chau Pakho have joined Voice Entertainment during the Period. Voice Entertainment continues to produce title and ending theme songs for TVB drama serials, which help promote both the programmes and the singer artistes.

## PUBLICATIONS

Digital disruption and sluggishness in the Hong Kong retail market has taken the most severe toll on magazine publishing with a noticeable number of business closures. Advertising revenue for magazines in Hong Kong fell more than 30% per annum for the past three years.

TVB Weekly marks its 20<sup>th</sup> anniversary as a weekly magazine and continues to engage with the loyal fans of TVB programmes. It is now one of the largest magazine publishers in Hong Kong. Despite the adverse factors, TVB Weekly managed to stay afloat due to its loyal readership base of ardent TVB fans and maintenance of its credible editorial for image conscious advertisers, as well as extensive efforts to boost event and other non-display advertising income.

## INTERNATIONAL OPERATIONS

### PROGRAMME LICENSING AND DISTRIBUTION (INCLUDING CHINA OPERATIONS)

Total revenue from programme licensing and distribution comprising income from distribution of TVB programmes through telecast, video and new media outside of Hong Kong, decreased by 10% from HK\$532 million to HK\$479 million during the Period. The decline was mainly due to the recognition of licensing revenue arising from settlement of the dispute with a major online operator in 2016 which did not recur in 2017.

Weak economy and online piracy continued to seriously affect the operating environment in our core markets, including Malaysia and Singapore. Conventional free and pay TV operators are facing declines in revenue, as a result of declining viewership and a high subscriber churn rate. Although TVB content was still the most watched programmes in the Chinese community in these two markets, digital piracy, competition from Korea and Mainland China's productions and increasing demands from audiences, present serious threat to our licensing businesses.

Our licence agreement with MEASAT Broadcast Network Systems Sdn Bhd in Malaysia has three remaining years to run until January 2020 based on the existing contract. Whilst in Singapore, the licence agreement with StarHub Cable Vision Ltd. was extended for one further year till May 2018. We continue to produce programmes on-location for these markets.

To further our business interest in Malaysia, we plan to set up our own new media platform, TVB Anywhere, to provide a more affordable service targeting non-Astro audience and the younger viewers. Meanwhile, we are going to introduce the social media app Big Big Channel to attract the younger generation.

Traditional licensing business experienced keen competition, especially in Indo-china territories. The wide distribution of dramas from Mainland China, Korea, Thailand and India generates viral threats to our business.

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, continues to operate TVB's licensing business in Mainland China. Due to the change in demand in different market segments, budgets in acquiring foreign programmes by satellite TV stations continued to shrink. Coupled with stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television on imported dramas, telecast licensing business on both nationwide basis and Guangdong region performed unsatisfactorily in the first half year of 2017. However, demand for VOD contents on the Internet, as well as demands from online platforms, including PC terminals, IPTV, OTT boxes and mobile apps remained robust. TVB programmes are currently distributed through major new media players in Mainland China, and Youku Tudou continues to be an important online distributor.

### OVERSEAS PAY TV OPERATIONS

#### TVB Anywhere

Our satellite pay TV services have progressively been replaced by TVB Anywhere service. To cater to the viewing habits of Chinese speaking audience in Canada, we co-operated with Fairchild Television Limited on this new media business model with local productions available on TVB Anywhere app which was introduced to the market in July 2017. In the third quarter of 2017, TVB Anywhere targets to embark on business partnership with one of the major local telecom companies in Macau.

# REVIEW OF OPERATIONS

In Australia and Europe, migration from our traditional pay TV service to the enhanced TVB Anywhere OTT platform is in full swing and is expected to be completed by this year end. Full-spectrum migration, together with the mischief of illegal OTT set-top boxes and other pirate syndications resulted in the decline of the segment revenue by about 11% from HK\$84 million to HK\$75 million during the Period. However, riding on the vast opportunity in new media, we are seeing significant interest in our online advertising business.

## CHANNEL OPERATIONS

Total revenue for TVB8 and Xing He channels dropped by 5% from HK\$46 million to HK\$43 million during the Period. Depreciation of Malaysian Ringgit and the flagging economy in Malaysia created a negative impact to the revenue.

## FINANCIAL REVIEW

### OPERATING RESULTS FOR THE PERIOD

#### Continuing operations

For the Period, the Group's continuing operations comprised Hong Kong TV broadcasting, Hong Kong digital new media, programme licensing and distribution, overseas pay TV operations, channel operations and other activities, including movie, music entertainment and publications.

A number of new businesses were introduced to the Group during the Period which gave rise to inevitable increases in costs: (i) myTV SUPER service was introduced in April 2016 and has been fully operational during the Period, resulting in increase in costs; (ii) two co-produced drama serials with iQiyi and Tencent were completed and delivered, resulting in a step-up in the cost of sales; and (iii) the preparation for the launch of Big Big Channel was underway during the Period, again resulted in increase in overhead costs.

The Group recorded revenue under continuing operations of HK\$2,021 million (2016: HK\$1,964 million), an increase of 3%. Cost of sales amounted to HK\$1,094 million (2016: HK\$961 million), an increase of 14%. As a result, gross profit amounted to HK\$927 million (2016: HK\$1,002 million), a decrease of 7%. The gross profit percentage stood at 46% (2016: 51%).

During the Period, Hong Kong TV broadcasting business segment reported an increase of 9%. Included in this segment were the advertising income and the production income from co-produced drama serials. For the Period, income from advertisers was HK\$1,130 million (2016: HK\$1,122 million), an increase of 0.6%.

Under programming licensing and distribution business segment, revenue dropped by HK\$53 million. Licensing revenue from Malaysia and Singapore remained steady. However, as there was an absence of revenue from settlement of the dispute with a major online operator booked last period, revenue from Mainland China dropped by HK\$49 million.

More revenue was earned by Hong Kong digital new media business due to the full six months of operation of myTV SUPER.

Cost of sales increased from HK\$961 million to HK\$1,094 million, an increase of 14%. Included in cost of sales were the cost of programmes and film rights which amounted to HK\$842 million (2016: HK\$713 million). The increase was mainly contributed by the incremental production costs associated with the two co-produced drama serials. Full operation of myTV SUPER services, in particular expenditure relating to the strengthening of its programme offerings, resulted in increase in costs during the Period.

Selling, distribution and transmission costs for the Period amounted to HK\$284 million (2016: HK\$265 million), an increase of 7%. This increase was mainly attributed to the full operation of myTV SUPER service during the Period.



General and administrative expenses for the Period amounted to HK\$431 million (2016: HK\$451 million), a decrease of 4%. Despite increases of costs relating to business operations, provision for impairment losses on certain trade receivables which was no longer required was written back during the Period. This resulted in an overall decrease of 4%.

Gain on disposal of investment properties arose from the sale of a property on Bade Road, Taipei, during the Period.

Finance costs for the Period amounted to HK\$79 million (2016: HK\$1 million) which were mainly attributed to the interest costs of US\$500 million 3.625% five-year notes due 2021 ("Notes") issued on 11 October 2016.

Due to the lower contribution from Hong Kong TV broadcasting this Period, a lower income tax of HK\$43 million was charged (2016: HK\$54 million), a decrease of 21%. Whilst the profits tax rate for Hong Kong remains at 16.5%, the Group's major subsidiaries operate in overseas countries whose effective rates vary from 0% to 40%.

Overall, the Group's profit attributable to equity holders for continuing operations amounted to HK\$170 million (2016: HK\$231 million), a decrease of 26%, due to (i) interest payment of HK\$79 million mainly related to the Notes booked during the Period; and (ii) the opportunity loss for better interest yield as a result of setting aside cash for the share buy-back offer of HK\$4,209 million.

### Discontinued operations

Last period, the Group disposed of its remaining 47% equity interest in a joint venture, Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), and generated a net gain on disposal of HK\$71 million. Such a gain did not recur in the Period.

### Earnings per share

Overall, the Group's profit attributable to equity holders for continuing and discontinued operations for the Period totalled HK\$170 million (2016: HK\$302 million), a decrease of 44%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK\$0.39 (2016: HK\$0.69).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remains strong. At 30 June 2017, total equity stood at HK\$7,171 million (31 December 2016: HK\$7,230 million). There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

At 30 June 2017, the Group had restricted cash of HK\$4,286 million (31 December 2016: HK\$6 million). Increase was mainly due to setting aside cash for the share buy-back offer of HK\$4,209 million.

The Group had unrestricted bank and cash balances of HK\$1,869 million at 30 June 2017 (31 December 2016: HK\$6,198 million). The decrease of 70% was mainly due to the restricted cash for the share buy-back offer. About 30% of the unrestricted bank and cash balances were maintained in overseas subsidiaries for their daily operations. Unrestricted bank and cash balances held by the Group were denominated mainly in Hong Kong dollars, US dollars, New Taiwan dollars and Renminbi.

The certificates of deposit amounting to HK\$775 million held at 31 December 2016 (as held-to-maturity financial assets under current assets) had matured on 23 January 2017. As at 30 June 2017, the Group had held-to-maturity bond securities amounting to HK\$770 million (31 December 2016: HK\$524 million) which comprises a portfolio of fixed income securities issued by a number of issuers which are listed or unlisted in Hong Kong or overseas carrying a weighted average yield to maturity of 6.02% per annum (31 December 2016: 4.79%) and with maturity dates ranging from 18 January 2018 to 19 February 2027. This portfolio has been set up for treasury management purpose with the view to enhance the overall yield of the Company's cash reserves, under an established treasury policy endorsed by the Executive Committee of the Board.



# REVIEW OF OPERATIONS

Trade receivables from third parties amounted to HK\$1,416 million (31 December 2016: HK\$1,279 million) increased by 11% over the last year end. One major licensee, MEASAT Broadcast Network Systems Sdn Bhd, ceased to be a related party and its corresponding balance was included in trade receivables from third parties as at the end of the Period. The new co-production income receivable from key online players also contributed to the increase. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

At 30 June 2017, the Group had the intention to sell certain remaining property assets on Bade Road, with carrying value amounting to HK\$42 million, which was presented as "Non-current asset held for sale" in the condensed consolidated statement of financial position at the end of the Period.

Trade and other payables and accruals decreased from HK\$921 million as at 31 December 2016 to HK\$904 million as at 30 June 2017 mainly due to the settlement of the provision for taxes in relation to the disposals of equity interest in the Liann Yee Group and the Neihu property, which was offset by advanced payments from the co-produced dramas.

The Group's net current assets amounted to HK\$8,034 million (31 December 2016: HK\$8,533 million), a decrease of 6%. The current ratio, expressed as the ratio of current assets to current liabilities, was 9.8 at 30 June 2017 (31 December 2016: 10.1).

The Group issued Notes which are guaranteed by the Company and listed in Hong Kong. The Notes proceeds has been deployed to fund the expansion of digital new media business and other capital expenditures, to make strategic investments and for general corporate purposes. At 30 June 2017, the gearing ratio, expressed as a ratio of gross debts to total equity, was 53.1% (31 December 2016: 53.1%).

At 30 June 2017, the Group had capital commitments totalling HK\$188 million (31 December 2016: HK\$300 million), a decrease of 37%.

The Company announced that on 13 February 2017 a revised offer would be made to buy-back, subject to conditions, up to 120,000,000 shares, representing 27.40% of the share capital of the Company, at the price of HK\$35.075 per share. As at the date of this report, the offer has not yet closed. The outcome of the offer is pending upon the Company's judicial review application on certain decisions of the Takeovers and Mergers Panel. A rolled-up hearing of the court has been scheduled on 26 and 27 September 2017.

Subsequent to the end of the Period, on 26 July 2017, TVB Venture Investment, LLC ("TVB Venture"), an indirect wholly-owned subsidiary of the Company and Imagine Holding Company LLC ("Imagine") entered into the agreement in relation to the formation of a joint venture company, Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between TVB Venture and Imagine. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. TVB Venture has contributed to the capital of ITT in an amount of US\$33 million as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US\$67 million in the form of the Promissory Note. Details of the formation of ITT are set out in the Company's announcement dated 26 July 2017.

## FINANCIAL GUARANTEES

At 30 June 2017, there were guarantees given to banks amounting to HK\$8 million (31 December 2016: HK\$8 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, and the Notes. In order to mitigate the potential impact of currency movement, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures, where necessary. No forward exchange or hedging contract was entered into by the Group during the Period.

## SHARE OPTION SCHEMES

The Company and a non wholly-owned subsidiary, Big Big Channel Holdings Limited (“Big Big Channel Holdings”, formerly TVB Pay Vision Holdings Limited), adopted the Share Option Scheme and the Subsidiary Share Option Scheme on 29 June 2017 respectively. These share option schemes will be valid and effective for a period of ten years from the date of adoption. No share options were granted by the Company and Big Big Channel Holdings under the Share Option Scheme and the Subsidiary Share Option Scheme respectively during the Period.

Details of the share option schemes are set out in the Company’s circular dated 29 May 2017.

## HUMAN RESOURCES

As of 30 June 2017, the Group employed a total of 4,341 full-time employees (31 December 2016: 4,249), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales, and non-sales personnel. Contract artistes are paid either per show or per package of shows. Sales personnel are remunerated on commission-based schemes, while non-sales personnel receive monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance. About 3% of the Group’s manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

Under the share option schemes of the Group, options may be granted to certain directors and employees of the Group to subscribe for shares in the Company or Big Big Channel Holdings.

The Group periodically organises seminars, courses, and workshops on subjects of technical interests, such as industrial safety, management skills, and other relevant topics, either in-house or with other vocational institutions. Apart from training sponsored by the Company, employees may also enroll in other courses on their own initiatives.

To sustain the long term steady supply of human resources for production, the Group has implemented a number of new initiatives targeting the training and the development of internal staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within our business.

## TREASURY MANAGEMENT

Under a set of guidelines laid down by the Executive Committee, the Company maintains a portfolio of fixed income securities which are held to maturity for overall enhancement of the interest yield of the Company’s fund. Such fixed income securities are selected from bonds issued by listed companies or stated owned companies, with or without credit ratings, taking into account the business sector; the coupon rate and the yield-to-maturity; the currency; and the maturity dates. The Executive Committee reviews the portfolio at each meeting to ensure that the guidelines are adhered to, and the investment objectives are fulfilled.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

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

The Company has adopted its own code on corporate governance, the TVB Corporate Governance Code ("TVB CG Code"). The TVB CG Code summarises the corporate governance practices adopted by the Board. These practices are updated on a regular basis, and are in line with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (including all code provisions and certain recommended best practices in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("CG Code")).

The Board monitors the Company's adherence to the corporate governance practices.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company was in compliance with the code provisions of the CG Code during the Period.

## 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 Listing Rules ("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.

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance. Each of the Directors and the members of Senior Management has confirmed that he/she had complied with the Model Code throughout the Period.

## CHANGE IN DIRECTORS' INFORMATION

Subsequent to the publication of the latest biographical details of the Directors of the Company in its 2016 Annual Report and up to the date of this interim report, the following changes in Director's information took place which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

On 19 May 2017, Shanghai Baolong Automotive Corporation ("Baolong") became a listed company on the Shanghai Stock Exchange. Professor Caroline Wang Chia-Ling is a director of Baolong.

On 22 May 2017, Dr. Raymond Or Ching Fai was conferred an Honorary Fellow by Hang Seng Management College. On 30 June 2017, Dr. Or retired as the vice chairman and an independent non-executive director of G-Resources Group Limited, a company which is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

## BOARD OF DIRECTORS AND ITS COMMITTEES

The Company is headed by an effective Board which is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner.

The Board is the highest governing body of the Company and is supported by five Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee. Each of them has defined terms of reference covering its authority, duties and functions.

At 30 June 2017, the Board and its Committees comprised:

Board of Directors	also serving:	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
<b>Chairman and Non-executive Director</b>						
Charles Chan Kwok Keung	Chairman	-	-	Member	-	-
<b>Vice Chairman and Non-executive Director</b>						
Li Ruigang	-	-	-	-	-	-
<b>Executive Directors</b>						
Mark Lee Po On	Member	-	-	-	-	Member
Cheong Shin Keong	Member	-	-	-	-	Member
<b>Non-executive Directors</b>						
Mona Fong	-	-	-	-	-	-
Anthony Lee Hsien Pin	-	-	Member	-	Member	-
Chen Wen Chi	Member	-	-	-	-	-
Thomas Hui To	Member	-	-	-	-	-
<b>Independent Non-executive Directors</b>						
Raymond Or Ching Fai	-	-	Member	Chairman	Chairman	Chairman
William Lo Wing Yan	-	-	Chairman	Member	Member	Member
Caroline Wang Chia-Ling	-	-	Member	-	-	Member
Allan Zeman	-	-	-	-	Member	-

During the Period and up to the date of this report, there is no change to the composition of the Board and its Committees.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## OTHER INFORMATION

### 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 whose report is set out on page 51. 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 this interim report for the Period.

### INTERIM DIVIDEND

The Board of Directors has declared the payment of a second interim dividend of HK\$0.30 per share for the year ending 31 December 2017 ("Second Interim Dividend") to shareholders of the Company ("Shareholders"). The Second Interim Dividend will

be paid in cash to Shareholders whose names are recorded on the Register of Members of the Company on 22 September 2017. The dividend warrants will be despatched to Shareholders on 4 October 2017.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 20 September 2017 to Friday, 22 September 2017, both dates inclusive, for the purpose of determining Shareholders' entitlement to the Second Interim Dividend. During the said book close period, no transfer of shares will be registered. In order to be entitled to the Second 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, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 September 2017.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2017, the interests and short positions of the Directors and chief executive in the shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

### Interests in the Shares of the Company

Name of director	Number of ordinary shares held					Percentage in share capital (%) <sup>(a)</sup>
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Charles Chan Kwok Keung	-	-	-	113,888,628	113,888,628 <sup>#(b)(f)</sup>	26.00
Li Ruigang	-	-	113,888,628	-	113,888,628 <sup>#(c)(f)</sup>	26.00
Chen Wen Chi	-	113,888,628	-	-	113,888,628 <sup>#(d)(f)</sup>	26.00
Mona Fong	1,146,000	-	15,950,200 <sup>(e)</sup>	-	17,096,200 <sup>(f)</sup>	3.90
Mark Lee Po On	-	438,000	-	-	438,000 <sup>(f)</sup>	0.10

#### Notes:

- Duplication of shareholdings occurred between parties<sup>#</sup> shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".
- The nature of the interests shown in the table here is provided in the notes below and the notes under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 30 June 2017:

- (a) Percentage in share capital was based on 438,000,000 ordinary shares of the Company in issue.
- (b) Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company as he was one of the parties to an agreement of which Section 317 of the SFO applies. Dr. Chan held these shares through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers was an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which was controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").
- (c) Mr. Li Ruigang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which was in turn a wholly-owned subsidiary of CMC Holdings Limited ("CMC Holdings"). CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer was wholly-owned and controlled by Mr. Li.
- (d) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such interests were indirectly held by his spouse, Ms. Wang Hsiueh Hong through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly held an interest. Profit Global was a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (e) These 15,950,200 shares of the Company were held by The Shaw Foundation Hong Kong Limited ("Shaw Foundation"). Shaw Holdings Inc. ("Shaw Holdings") held 100% equity interest in Shaw Foundation. Ms. Mona Fong exerted 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (f) The interests held by these Directors represented long positions.

### Interests in the Shares of the Associated Corporations of the Company

Name of associated corporation	Name of Director	Number of ordinary shares held					Total interests	Percentage in share capital (%)
		Personal interests	Family interests	Corporate interests	Other interests			
Shine Investment Limited	Li Ruigang	-	-	102	-	102 <sup>(a)(f)</sup>	85.00 <sup>(b)</sup>	
Concept Legend Limited	Mona Fong	-	-	1	-	1 <sup>(c)(f)</sup>	50.00 <sup>(d)</sup>	
Wealth Founder Limited	Mona Fong	-	-	67	-	67 <sup>(e)(f)</sup>	67.00 <sup>(d)</sup>	

Notes:

At 30 June 2017:

- (a) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which were controlled by Mr. Li Ruigang.
- (b) Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation of the Company in issue.
- (c) This one share of Concept Legend Limited ("Concept Legend") was held by Shaw Productions Limited ("Shaw Productions"). Shaw Holdings held 100% equity interest in Shaw Productions. Ms. Mona Fong exerted 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (d) Percentage in share capital of associated corporation was based on the total number of ordinary shares of each of the associated corporations of the Company in issue.
- (e) These 67 shares of Wealth Founder Limited were held by Concept Legend, in which Shaw Productions held 50% equity interest. Shaw Holdings held 100% equity interest in Shaw Productions. Ms. Mona Fong exerted 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (f) The interests held by these Directors represented long positions.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

Save for the information disclosed above, at no time during the Period, the Directors and chief executive of the Company (including their spouses, and children under 18 years of age) had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Companies Ordinance”).

## SHARE OPTION SCHEMES

### Share Option Scheme of the Company

The Company adopted a share option scheme (“TVB Option Scheme”) at the annual general meeting of its Shareholders held on 29 June 2017 (“Adoption Date for TVB Option Scheme”). The TVB Option Scheme is designed to provide the TVB Option Scheme participants with the opportunity to acquire the proprietary interests in the Company, thereby encouraging the grantees of such options to work towards enhancing the value of the Company and for the benefit of the Company and Shareholders as a whole.

Basically, the TVB Option Scheme shall be valid for ten years since the Adoption Date for TVB Option Scheme. The Board or its delegated Committee may at its discretion grant share options to the eligible participants (including a director, an employee of the Company or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to the Company or its affiliate; a customer or joint venture partner of the Company or its affiliate; a trustee of any trust established for the benefit of employees of the Company or its affiliate, any other class of participants which the Board or its delegated Committee, considers to have contributed or may contribute by way of different forms of cooperation to the development and growth of the Company).

As of the Adoption Date for the TVB Option Scheme, the number of shares of the Company issuable pursuant to the TVB Option Scheme were 43,800,000 shares (equivalent to 10% of the total issued shares of the Company on Adoption Date for TVB Option Scheme) which will be subject to the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the shares which may fall to be allotted and issued pursuant to the exercise of the share options in accordance with the terms and conditions of the TVB Option Scheme. The Company may, at any time, refresh such limit, subject to Shareholders’ approval up to 30% of the total issued shares of the Company at the time.

No share options were granted, exercised, cancelled and lapsed under the TVB Option Scheme during the Period.

The Directors consider that it is not appropriate to state the value of the share options which may be granted under the TVB Option Scheme as if they had been granted as at the end of the Period, as a number of variables which are crucial for the calculation of the share option value have not been determined. Such variables include the subscription price, option period, lock-up period (if any), performance target (if any) and other relevant variables. The Directors believe that any calculation of the value of the share options as at the end of the Period would be based on a great number of speculative assumption.



## Subsidiary Share Option Scheme of Big Big Channel Holdings

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings ("Subsidiary Option Scheme") at the annual general meeting of its Shareholders held on 29 June 2017 ("Adoption Date for Subsidiary Option Scheme"). The Subsidiary Option Scheme is designed to provide the Subsidiary Option Scheme participants with the opportunity to acquire the proprietary interests in the Big Big Channel Holdings, thereby encouraging the grantees of such options to work towards enhancing the value of the Big Big Channel Holdings and for the benefit of the Big Big Channel Holdings and Big Big Channel Holdings' shareholders as a whole.

Basically, the Subsidiary Option Scheme shall be valid for ten years since the Adoption Date for Subsidiary Option Scheme. The board of directors of Big Big Channel Holdings ("Big Big Channel Holdings Board") or its delegated Committee may at its discretion grant share options to the eligible participants (including a director, an employee of the Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to the Big Big Channel Holdings or its affiliate; a customer or joint venture partner of the Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of the Big Big Channel Holdings or its affiliate, any other class of participants which the Big Big Channel Holdings Board or its delegated Committee, considers to have contributed or may contribute by way of different forms of cooperation to the development and growth of the Big Big Channel Holdings).

No share options were granted, exercised, cancelled and lapsed under the Subsidiary Option Scheme during the Period.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during the Period was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 30 June 2017, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

### Interests in the Shares of the Company

Name	Number of ordinary shares held	Percentage in share capital (%) <sup>(a)</sup>
Shaw Brothers Limited <sup>(b)</sup>	113,888,628 <sup>#(c)(f)(h)</sup>	26.00
Young Lion Acquisition Co. Limited	113,888,628 <sup>#(c)(f)(h)</sup>	26.00
Young Lion Holdings Limited	113,888,628 <sup>#(c)(f)(h)</sup>	26.00
Innovative View Holdings Limited	113,888,628 <sup>#(c)(f)(h)</sup>	26.00
Gold Pioneer Worldwide Limited	113,888,628 <sup>#(d)(h)</sup>	26.00
GLRG Holdings Limited	113,888,628 <sup>#(d)(h)</sup>	26.00
CMC Holdings Limited	113,888,628 <sup>#(d)(h)</sup>	26.00
CMC M&E Holdings Ltd.	113,888,628 <sup>#(d)(h)</sup>	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 <sup>#(d)(f)(h)</sup>	26.00
Wang Hsiueh Hong	113,888,628 <sup>#(e)(h)</sup>	26.00
Kun Chang Investment Co. Ltd.	113,888,628 <sup>#(e)(h)</sup>	26.00
Profit Global Investment Limited	113,888,628 <sup>#(e)(f)(h)</sup>	26.00
Silchester International Investors LLP	61,407,500 <sup>(g)(h)</sup>	14.02
Dodge & Cox	40,163,800 <sup>(g)(h)</sup>	9.17
Silchester International Investors International Value Equity Trust	26,307,900 <sup>(h)</sup>	6.01

Notes:

Duplication of shareholdings occurred between parties<sup>#</sup> shown in the table here and above under the sub-heading of "Directors' and Chief Executive's Interests in the Shares of the Company and its Associated Corporations".

At 30 June 2017:

- (a) Percentage in share capital was based on 438,000,000 ordinary shares of the Company in issue.
- (b) Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It was an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Charles Chan Kwok Keung ("Dr. Chan", the Chairman of the Board of the Company) with Mr. Li Ruigang ("Mr. Li", the Vice Chairman of the Board of the Company) and Ms. Wang Hsiueh Hong ("Ms. Wang") as the other two members.
- (c) YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of YLH, which was controlled by Dr. Chan, through IVH.

- (d) CMC M&E Acquisition was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Holdings. CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned and controlled by Mr. Li.
- (e) Ms. Wang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang Investment Co. Ltd. (“Kun Chang”). Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.
- (f) Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties of an agreement (“Agreement”) to hold the interest in these 113,888,628 shares in the Company. The Agreement was an agreement to which Section 317 of the SFO applied.
- (g) Interests were held in the capacity of investment managers.
- (h) The interests held by these persons represented long positions.

Save for the information disclosed above, at no time during the Period, no other persons (other than the Directors or chief executive of the Company) had any interest or short position in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be disclosed pursuant to the SFO, the Listing Rules and the Companies Ordinance.

## **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.

## **INTERIM REPORT**

This Interim Report for the Period containing all the information required by the Listing Rules is published on the designated issuer website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.corporate.tvb.com](http://www.corporate.tvb.com)).

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1,874,837	1,797,307
Investment properties	7	30,764	100,972
Land use rights	7	54,317	54,550
Intangible assets	7	72,971	59,303
Interests in joint ventures		21,204	20,193
Interests in associates		158,378	159,923
Available-for-sale financial assets		47,436	47,436
Held-to-maturity financial assets	8	706,652	523,509
Deferred income tax assets		36,725	36,633
Prepayments	9	87,943	86,354
Total non-current assets		3,091,227	2,886,180
<b>Current assets</b>			
Programmes, film rights and movies		842,330	744,585
Stocks		28,411	19,826
Trade and other receivables, prepayments and deposits	9	1,759,050	1,671,320
Tax recoverable		54,383	55,451
Held-to-maturity financial assets	8	63,046	775,400
Restricted cash	10	4,286,356	6,113
Bank deposits maturing after three months		105,856	676,993
Cash and cash equivalents		1,763,551	5,520,962
Non-current asset held for sale	20(a)	41,744	–
Total current assets		8,944,727	9,470,650
<b>Total assets</b>		<b>12,035,954</b>	<b>12,356,830</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	11	664,044	664,044
Other reserves	12	127,684	3,053
Retained earnings		6,240,471	6,397,589
		7,032,199	7,064,686
<b>Non-controlling interests</b>		<b>138,493</b>	<b>165,405</b>
<b>Total equity</b>		<b>7,170,692</b>	<b>7,230,091</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	3,805,632	3,842,493
Deferred income tax liabilities		148,721	346,819
Total non-current liabilities		3,954,353	4,189,312

	Note	30 June 2017 Unaudited HK\$'000	31 December 2016 Audited HK\$'000
<b>Current liabilities</b>			
Trade and other payables and accruals	13	904,202	920,679
Current income tax liabilities		6,707	16,748
Total current liabilities		910,909	937,427
<b>Total liabilities</b>		4,865,262	5,126,739
<b>Total equity and liabilities</b>		12,035,954	12,356,830

The notes on pages 31 to 50 form an integral part of this condensed consolidated financial information.

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
<b>Continuing operations</b>			
Revenue	6	2,021,169	1,963,809
Cost of sales		(1,093,862)	(961,400)
<b>Gross profit</b>		<b>927,307</b>	<b>1,002,409</b>
Other revenues	15	58,932	39,510
Selling, distribution and transmission costs		(284,195)	(265,363)
General and administrative expenses		(431,483)	(450,836)
Other gains, net		6,908	313
Operating profit before non-recurring income		277,469	326,033
Gain on disposal of investment properties	20(a)	18,483	–
Operating profit		295,952	326,033
Finance costs		(78,918)	(947)
Share of profits/(losses) of:			
Joint ventures		1,011	(3,087)
Associates		(1,589)	(4,126)
Impairment loss on loan to and amounts due from an associate		–	(14,575)
<b>Profit before income tax</b>	16	<b>216,456</b>	<b>303,298</b>
Income tax expense	17	(43,066)	(54,301)
<b>Profit for the period from continuing operations</b>		<b>173,390</b>	<b>248,997</b>
<b>Discontinued operations</b>			
Gain on disposal of a joint venture	20(b)	–	78,028
Deferred tax on disposal of a joint venture		–	(7,272)
		–	70,756
<b>Profit for the period</b>		<b>173,390</b>	<b>319,753</b>

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
<b>Profit attributable to:</b>			
Equity holders of the Company			
– Continuing operations		170,180	230,970
– Discontinued operations		–	70,756
		170,180	301,726
Non-controlling interests			
– Continuing operations		3,210	18,027
		173,390	319,753
<b>Earnings per share (basic and diluted)</b>			
<b>for profit attributable to equity holders of the Company during the period</b>			
– Continuing operations	18	HK\$0.39	HK\$0.53
– Discontinued operations	18	–	HK\$0.16
		HK\$0.39	HK\$0.69

The notes on pages 31 to 50 form an integral part of this condensed consolidated financial information.



# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>173,390</b>	<b>319,753</b>
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	68,917	30,367
Reclassification adjustment to profit or loss on disposal of a joint venture	–	1,311
<b>Other comprehensive income for the period, net of tax</b>	<b>68,917</b>	<b>31,678</b>
<b>Total comprehensive income for the period</b>	<b>242,307</b>	<b>351,431</b>
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
– Continuing operations	234,054	264,615
– Discontinued operations	–	70,756
	<b>234,054</b>	<b>335,371</b>
Non-controlling interests		
– Continuing operations	8,253	16,060
<b>Total comprehensive income for the period</b>	<b>242,307</b>	<b>351,431</b>

The notes on pages 31 to 50 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited					
		Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2016		664,044	(22,905)	7,039,291	7,680,430	155,743	7,836,173
Comprehensive income:							
Profit for the period		-	-	301,726	301,726	18,027	319,753
Other comprehensive income:							
Currency translation differences							
– Group		-	31,739	-	31,739	(1,967)	29,772
– Joint ventures		-	228	-	228	-	228
– Associates		-	367	-	367	-	367
Reclassification adjustment to profit or loss on disposal of a joint venture		-	1,311	-	1,311	-	1,311
Total comprehensive income, net of tax, for the period ended 30 June 2016		-	33,645	301,726	335,371	16,060	351,431
Transactions with owners:							
Transferred to legal reserve	12	-	2,847	(2,847)	-	-	-
2015 final dividends paid		-	-	(876,000)	(876,000)	-	(876,000)
Total transactions with owners		-	2,847	(878,847)	(876,000)	-	(876,000)
Balance at 30 June 2016		664,044	13,587	6,462,170	7,139,801	171,803	7,311,604
Balance at 1 January 2017		664,044	3,053	6,397,589	7,064,686	165,405	7,230,091
Comprehensive income:							
Profit for the period		-	-	170,180	170,180	3,210	173,390
Other comprehensive income:							
Currency translation differences							
– Group		-	64,369	-	64,369	5,043	69,412
– Joint ventures		-	(539)	-	(539)	-	(539)
– Associates		-	44	-	44	-	44
Total comprehensive income, net of tax, for the period ended 30 June 2017		-	63,874	170,180	234,054	8,253	242,307
Transactions with owners:							
Transferred to legal reserve	12	-	64,498	(64,498)	-	-	-
2017 first interim dividends paid	19	-	-	(262,800)	(262,800)	-	(262,800)
Total contributions by and distributions to owners		-	64,498	(327,298)	(262,800)	-	(262,800)
Change in ownership interests in subsidiaries without change of control	25	-	(3,741)	-	(3,741)	(35,165)	(38,906)
Total transactions with owners		-	60,757	(327,298)	(266,541)	(35,165)	(301,706)
<b>Balance at 30 June 2017</b>		<b>664,044</b>	<b>127,684</b>	<b>6,240,471</b>	<b>7,032,199</b>	<b>138,493</b>	<b>7,170,692</b>

The notes on pages 31 to 50 form an integral part of this condensed consolidated financial information.

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	172,367	590,527
Interest paid		–	(1,020)
Hong Kong tax paid		(33,864)	(86,527)
Overseas tax paid		(215,842)	(35,863)
Net cash (used in)/generated from operating activities		(77,339)	467,117
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and investment properties		(245,771)	(127,993)
Purchases of intangible assets		(16,064)	(8,740)
Purchases of bond securities		(265,349)	(304,711)
Redemption of bond securities		15,561	–
Redemption of certificates of deposit		775,400	–
Investment in an associate		–	(140,000)
Fund advanced to an associate		–	(20,000)
Loan repayment from a joint venture		–	2,966
Loan repayment from a former joint venture		–	23,647
Decrease in bank deposits maturing after three months		571,137	606,275
Net proceeds from disposal of a joint venture		–	1,020,503
Expenses incurred on disposal of a joint venture		–	(55,933)
Proceeds from disposal of investment properties		39,783	–
Proceeds from disposal of property, plant and equipment		696	975
Interest received		49,804	21,189
Net cash generated from investing activities		925,197	1,018,178
<b>Cash flows from financing activities</b>			
Repayments of bank loans		–	(237,967)
Repurchase of Notes		(65,872)	–
Interest paid		(75,357)	–
Acquisition of additional interest in subsidiaries		(38,906)	–
Increase in restricted cash		(4,280,243)	(48)
Dividends paid to equity holders of the Company		(262,800)	(876,000)
Net cash used in financing activities		(4,723,178)	(1,114,015)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,875,320)	371,280
Cash and cash equivalents at 1 January		5,520,962	2,125,975
Effect of foreign exchange rate changes		117,909	(4,361)
<b>Cash and cash equivalents at 30 June</b>		<b>1,763,551</b>	<b>2,492,894</b>

The notes on pages 31 to 50 form an integral part of this condensed consolidated financial information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

Television Broadcasts Limited (“Company”) and its subsidiaries are collectively referred to as the Group in the condensed consolidated financial information. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities.

The Company is a limited liability company incorporated and listed in Hong Kong. Its registered office is at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.

This condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information was approved for issue on 23 August 2017.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This interim financial information has not been audited, but has been reviewed by the Audit Committee of the Company, 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 (“HKICPA”).

### 2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2016 annual financial statements.

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

#### Programme cost

The cost of programmes under co-production agreement is apportioned according to expected income generated from domestic terrestrial TV market, the overseas licensing and distribution market, the over-the-top (“OTT”) market and the sale of exclusive programme exploitation right in defined geographical areas to co-producers. For the sale of programme exploitation right to co-producers, the cost is expensed upon delivery of the programmes to co-producers in accordance with the terms of the contract. The timing for recognising costs for domestic terrestrial TV market, overseas licensing and distribution market and OTT market remained unchanged.

#### Revenue recognition

Co-production income is recognised upon delivery of the programmes to co-producers for its exclusive programme exploitation right in defined geographical areas.

#### New and amended standards

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.
- (b) Impact of standards issued but not yet applied by the Group
  - (i) HKFRS 9 ‘Financial instruments’

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. The adoption of HKFRS 9 will generally be applied retrospectively, except for where the standard provides transition exemptions. The Group is considering to apply the transition exemptions.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income (“FVOCI”) election is available for the equity instruments which are currently classified as available-for-sale.
- Debt instruments currently classified as loans and receivables and held-to-maturity financial assets, which are measured at amortised cost, appear to meet the conditions for classification at amortised cost under HKFRS 9.

### 3 ACCOUNTING POLICIES (continued)

#### New and amended standards (continued)

##### (b) Impact of standards issued but not yet applied by the Group (continued)

###### (i) HKFRS 9 'Financial instruments' (continued)

It is expected that there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables and loan commitments. If the Group were to adopt the new rules from 1 January 2017, the Group assessed that there would not be a significant effect on the condensed consolidated financial information of the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

###### (ii) HKFRS 15 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to use the modified retrospective approach for transition to the new revenue standard. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected to the Group:

- revenue recognition of master contracts in the overseas licensing and distribution market – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; and
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

Had the standard been adopted from 1 January 2017, the Group estimated that there would not be a significant effect on the condensed consolidated financial information of the Group.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (continued)

#### New and amended standards (continued)

##### (b) Impact of standards issued but not yet applied by the Group (continued)

##### (iii) HKFRS 16 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$131,477,000. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the condensed consolidated financial information as lease liabilities, with corresponding right-to-use assets. However, the Group assessed that there would not be significant effect on the Group's profit and classification of cash flows.

HKFRS 16 permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to elect the modified retrospective approach. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

### 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.



## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in any risk management policies since the year end.

### 5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 5.3 Fair value estimation

Financial instruments that are measured in the condensed consolidated statement of financial position at fair value are analysed by below valuation method. The different levels have been defined as follows:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2017 and 31 December 2016, the carrying value of the Group's available-for-sale financial assets approximates its fair value and fair value measurement of these financial assets is classified in level 3. The maximum exposure to credit risk is the carrying value of the available-for-sale financial assets. None of these financial assets is either past due or impaired.

As at 30 June 2017 and 31 December 2016, the fair value measurement of the Group's held-to-maturity financial assets is classified in level 2.

As at 30 June 2017 and 31 December 2016, the fair value measurement of the Group's borrowings is classified in level 2.

There was no transfer between categories during the period.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 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 has following reportable segments:

- |  |   |   |
|--|---|---|
| (a) Hong Kong TV broadcasting            | – | broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas |
| (b) Hong Kong digital new media business | – | provision of OTT business and provision of contents to mobile devices and website portals   |
| (c) Programme licensing and distribution | – | distribution of television programmes and channels to telecast, video and new media operators   |
| (d) Overseas pay TV operations           | – | provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences             |
| (e) Channel operations                   | – | compilation and distribution of television channels in Mainland China, Malaysia, Singapore and other countries                        |
| (f) Other activities                     | – | magazine publications, music entertainment, property investment and other related services  |
| (g) Corporate support                    | – | financing services for the Group  |

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, co-production income, 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.

The Group's inter-segment transactions mainly consist of licensing of programmes and film rights and provision of services. Licensing of programmes and film rights were entered into at similar terms as that contracted with third parties. The services provided are charged on a cost plus basis or at similar terms as that contracted with third parties.

## 6 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	Corporate support HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Continuing operations</b>									
Six months ended 30 June 2017									
Revenue									
External customers	1,312,093	118,975	420,497	74,875	40,226	54,503	-	-	2,021,169
Inter-segment	28,105	2,963	58,711	-	2,860	16,717	-	(109,356)	-
<b>Total</b>	<b>1,340,198</b>	<b>121,938</b>	<b>479,208</b>	<b>74,875</b>	<b>43,086</b>	<b>71,220</b>	<b>-</b>	<b>(109,356)</b>	<b>2,021,169</b>
Reportable segment profit before non-recurring income	81,681	(59,557)	247,099	(28,392)	7,725	28,913	(78,918)	-	198,551
Gain on disposal of investment properties	-	-	-	-	-	18,483	-	-	18,483
Reportable segment profit after non-recurring income	81,681	(59,557)	247,099	(28,392)	7,725	47,396	(78,918)	-	217,034
Interest income	37,503	62	2,210	137	-	3,162	-	-	43,074
Finance costs	-	-	-	-	-	-	(78,918)	-	(78,918)
Depreciation and amortisation	(140,499)	(32,441)	(4,827)	(2,493)	(429)	(3,970)	-	-	(184,659)
Additions to non-current assets <sup>#</sup>	150,961	88,420	5,071	7,711	74	9,598	-	-	261,835
Six months ended 30 June 2016									
Revenue									
External customers	1,215,813	81,728	472,998	84,286	42,528	66,456	-	-	1,963,809
Inter-segment	18,898	1,828	59,233	-	2,974	8,607	-	(91,540)	-
<b>Total</b>	<b>1,234,711</b>	<b>83,556</b>	<b>532,231</b>	<b>84,286</b>	<b>45,502</b>	<b>75,063</b>	<b>-</b>	<b>(91,540)</b>	<b>1,963,809</b>
Reportable segment profit	40,328	(18,303)	286,944	(18,299)	2,290	17,551	-	-	310,511
Interest income	14,011	108	2,180	24	-	1,640	-	-	17,963
Finance costs	-	-	-	-	-	(947)	-	-	(947)
Depreciation and amortisation	(126,145)	(12,391)	(3,576)	(1,902)	(395)	(10,645)	-	-	(155,054)
Additions to non-current assets <sup>#</sup>	99,121	27,090	9,432	295	6	789	-	-	136,733

<sup>#</sup> Non-current assets comprise property, plant and equipment, investment properties, land use rights and intangible assets (including prepayments related to capital expenditure, if any).

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Reportable segment profit	217,034	310,511
Share of profits/(losses) of joint ventures	1,011	(3,087)
Share of losses of associates	(1,589)	(4,126)
<b>Profit before income tax and discontinued operations</b>	<b>216,456</b>	<b>303,298</b>

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 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	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	1,486,346	1,350,525
Malaysia and Singapore	260,662	265,583
Mainland China	147,275	195,955
USA and Canada	62,378	66,100
Australia	22,286	26,226
Vietnam	23,726	23,876
Europe	4,362	5,635
Other countries	14,134	29,909
	<b>2,021,169</b>	<b>1,963,809</b>

### 7 CAPITAL EXPENDITURE

	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
As at 1 January 2016	26,976	1,687,364	684,309	59,948
Additions	8,740	152,431	445	-
Disposals	-	(1,774)	-	-
Transfer to non-current asset held for sale	-	-	(590,012)	-
Depreciation and amortisation (Note 16)	-	(145,418)	(8,091)	(1,545)
Exchange differences	-	(38)	15,496	(501)
As at 30 June 2016	<b>35,716</b>	<b>1,692,565</b>	<b>102,147</b>	<b>57,902</b>
As at 1 January 2017	59,303	1,797,307	100,972	54,550
Additions	16,064	243,997	185	-
Disposals	-	(652)	-	-
Transfer to non-current asset held for sale (Note 20(a))	-	-	(58,716)	-
Transfer from investment properties to property, plant and equipment	-	13,054	(13,054)	-
Depreciation and amortisation (Note 16)	(2,396)	(180,344)	(429)	(1,490)
Exchange differences	-	1,475	1,806	1,257
As at 30 June 2017	<b>72,971</b>	<b>1,874,837</b>	<b>30,764</b>	<b>54,317</b>

## 8 HELD-TO-MATURITY FINANCIAL ASSETS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Non-current</b>		
Bond securities at amortised costs:		
Unlisted	221,071	21,368
Listed in Hong Kong	279,856	312,849
Listed in other countries	205,725	189,292
	<b>706,652</b>	<b>523,509</b>
<b>Current</b>		
Bond securities at amortised costs:		
Listed in Hong Kong	63,046	–
Certificates of deposit		
Unlisted	–	775,400
	<b>63,046</b>	<b>775,400</b>
	<b>769,698</b>	<b>1,298,909</b>

The bond securities carry a weighted average yield to maturity of 6.02% (31 December 2016: 4.79%) per annum and the maturity dates are ranging from 18 January 2018 to 19 February 2027. They are denominated in Hong Kong dollars and US dollars.

The certificates of deposit were fully redeemed during the period.

The carrying amounts of the held-to-maturity financial assets approximate their fair values are included in level 2 fair value hierarchy. The maximum exposure to credit risk is the carrying values of the held-to-maturity financial assets. None of these financial assets is either past due or impaired.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Non-current</b>		
Prepayments related to capital expenditure	87,943	86,354
<b>Current</b>		
Trade receivables from:		
Associates	2,008	30,743
Related parties	–	40,679
Third parties (note)	1,415,789	1,278,735
	1,417,797	1,350,157
Less: provision for impairment loss on receivables from:		
Associates	(1,453)	(1,443)
Third parties	(157,332)	(180,911)
Other receivables, prepayments and deposits	500,038	503,517
	1,759,050	1,671,320
	1,846,993	1,757,674

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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

At 30 June 2017 and 31 December 2016, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Current	439,893	446,273
1-2 months	273,184	219,035
2-3 months	184,945	194,608
3-4 months	142,260	122,788
4-5 months	46,170	100,275
Over 5 months	331,345	267,178
	1,417,797	1,350,157

## 10 RESTRICTED CASH

At 30 June 2017, restricted cash included cash set aside for the share buy-back offer, as detailed in the Company's announcement dated 24 January 2017.

## 11 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 1 January 2016 and 30 June 2016 and 1 January 2017 and 30 June 2017	438,000	664,044

## 12 OTHER RESERVES

	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2016	70,000	–	36,666	(129,571)	(22,905)
Currency translation differences:					
– Group	–	–	–	31,739	31,739
– Joint ventures	–	–	–	228	228
– Associates	–	–	–	367	367
Transferred from retained earnings	–	–	2,847	–	2,847
Reclassification adjustment to profit or loss on disposal of a joint venture	–	–	–	1,311	1,311
<b>Balance at 30 June 2016</b>	<b>70,000</b>	<b>–</b>	<b>39,513</b>	<b>(95,926)</b>	<b>13,587</b>
Balance at 1 January 2017	70,000	–	39,513	(106,460)	3,053
Currency translation differences:					
– Group	–	–	–	64,369	64,369
– Joint ventures	–	–	–	(539)	(539)
– Associates	–	–	–	44	44
Transferred from retained earnings	–	–	64,498	–	64,498
Change in ownership interests in subsidiaries without change of control (Note 25)	–	(3,741)	–	–	(3,741)
<b>Balance at 30 June 2017</b>	<b>70,000</b>	<b>(3,741)</b>	<b>104,011</b>	<b>(42,586)</b>	<b>127,684</b>

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 13 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Trade payables to:		
Joint ventures	1,200	–
Associates	2,100	–
Related parties	–	4,404
Third parties	102,764	119,193
	106,064	123,597
Receipts in advance, deferred income and customers' deposits	416,071	221,657
Provision for employee benefits and other expenses	116,978	207,741
Accruals and other payables	265,089	367,684
	<b>904,202</b>	<b>920,679</b>

At 30 June 2017 and 31 December 2016, the ageing of trade payables based on invoice date including trading balances due to joint ventures, associates and related parties was as follows:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Current	73,995	61,422
1-2 months	19,531	36,778
2-3 months	2,152	19,376
3-4 months	1,699	4,109
4-5 months	584	333
Over 5 months	8,103	1,579
	<b>106,064</b>	<b>123,597</b>



## 14 BORROWINGS

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Non-current</b>		
Notes, unsecured (note)	3,805,632	3,842,493

At 30 June 2017 and 31 December 2016, borrowings were repayable as follows:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Between 2 and 5 years	3,805,632	3,842,493

Note:

On 11 October 2016, the Group issued US\$500,000,000 3.625% five-year notes due 2021 ("Notes"). During the period, the Group repurchased US\$8,500,000 nominal amount of the Notes at a price of US\$8,469,000.

## 15 OTHER REVENUES

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Interest income	43,074	17,963
Others	15,858	21,547
	<b>58,932</b>	<b>39,510</b>

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 16 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	
	2017	2016
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Depreciation (Note 7)	180,773	153,509
Amortisation of land use rights (Note 7)	1,490	1,545
Amortisation of intangible assets (Note 7)	2,396	–
Cost of programmes and film rights	842,432	713,450
Cost of other stocks	13,037	11,704
Net exchange gains	(6,908)	(313)

### 17 INCOME TAX EXPENSE

Hong Kong and overseas profits taxes have been provided at the rate of 16.5% (2016: 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	
	2017	2016
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	25,638	39,060
– Overseas	216,406	33,233
– (Over)/under provisions in prior periods	(1,311)	218
	240,733	72,511
Deferred income tax:		
– Origination and reversal of temporary differences	(197,667)	(18,210)
	43,066	54,301

## 18 EARNINGS PER SHARE

The earnings per share is calculated based on the Group's profit attributable to equity holders of the Company and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2017 and 2016. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company		
– Continuing operations	170,180	230,970
– Discontinued operations	–	70,756
	<b>170,180</b>	<b>301,726</b>

## 19 DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
First interim dividend paid of HK\$0.60 (2016:nil) per ordinary share	262,800	–
Second interim dividend, declared after the end of the reporting period, of HK\$0.30 (2016: interim dividend of HK\$0.60) per ordinary share	131,400	262,800
	<b>394,200</b>	<b>262,800</b>

First interim dividend of HK\$0.60 per ordinary share for the year ending 31 December 2017 amounting to HK\$262,800,000 was declared on 24 May 2017 and paid on 22 June 2017.

## 20 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

### (a) Non-current asset held for sale

In 2017, the Group has an intention to sell certain investment properties located in Taiwan, as such, the carrying value of such properties amounting to HK\$58,716,000 was reclassified as "Non-current asset held for sale". Part of these investment properties sold with a disposal gain of HK\$18,483,000 was recognised in April 2017. The remaining held for sale properties with carrying value of HK\$41,744,000 were still unsold at the end of the reporting period.

### (b) Discontinued operations

On 10 March 2016, upon the completion of disposal of the remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), a disposal gain of HK\$78,028,000 was recorded based on the consideration received of HK\$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 21 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from operations:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit before income tax	216,456	381,326
Adjustments for:		
Depreciation and amortisation	184,659	155,054
Provision for impairment loss on trade and other receivables	17,551	45,572
Reversal of provision for impairment loss on trade receivables	(38,977)	(18,811)
Share of losses of associates	1,589	4,126
Share of (profits)/losses of joint ventures	(1,011)	3,087
Gain on repurchase of Notes	(239)	–
Gain on disposal of a joint venture	–	(78,028)
Gain on disposal of investment properties	(18,483)	–
(Gain)/loss on disposal of property, plant and equipment	(44)	799
Interest income	(43,074)	(17,963)
Finance costs	78,918	947
Exchange differences	(36,260)	19,085
	361,085	495,194
Increase in programmes, film rights, movies and stocks	(106,330)	(72,452)
(Increase)/decrease in trade and other receivables, prepayments and deposits	(65,963)	122,277
(Decrease)/increase in trade and other payables and accruals	(16,425)	45,508
Cash generated from operations	172,367	590,527

### 22 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Guarantees for banking facilities granted to an investee company	7,809	7,505

The Directors have assessed the fair value of the above and consider that they are not material to the Group. Therefore, no financial liability has been recognised in the condensed consolidated statement of financial position.

## 23 CAPITAL COMMITMENTS

The amounts of commitments for property, plant and equipment are as follows:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Contracted but not provided for	187,992	300,462

## 24 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme service licence granted by the Government of the HKSAR ("Government") which runs for a period of twelve years to 30 November 2027. Under the renewed licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million in total for the six-year period from 2016 to 2021; (ii) provide at least 12,000 hours of local productions each year; (iii) provide an additional four hours per week of positive programmes (including current affairs programmes, documentaries, arts and culture programmes and programmes for young persons) on the Company's digital channels; (iv) provide independent local productions on an incremental basis from 20 hours per year in 2016 to 60 hours per year by 2020. In addition, the Company is granted more flexibility to schedule the broadcast of RTHK programmes and an additional 5% non-designated language allowance for the English channel. In accordance with the standard procedure, the renewed licence of the Company will be subject to a mid-term review in 2021.

## 25 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 22 May 2017, the Group acquired an additional 26.32% of the equity interest of TVB Publishing Holdings Limited and its subsidiaries ("TVBPH Group") for a purchase consideration of US\$5,000,000. The carrying amount of the non-controlling interests in TVBPH Group on the date of acquisition was HK\$35,165,000. The Group recognised a decrease in equity attributable to owners of the Company of HK\$3,741,000. The effect of changes in the ownership interest of TVBPH Group on the equity attributable to owners of the Company during the period is summarised as follows:

	30 June 2017 HK\$'000
Carrying amount of non-controlling interests acquired	35,165
Consideration paid to non-controlling interests	(38,906)
Excess of consideration paid recognised within equity	(3,741)

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

The following is a summary of significant related party transactions during the period carried out by the Group in the normal course of its business:

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Sales of services/goods:			
Joint venture			
Rental income	(i)	–	5,240
Technical and facilities services fees	(i)	–	1,480
Associates			
Programmes and channel licensing fees	(ii)	–	361
Technical and operational service fees	(ii)	–	6,120
Rental income and related charges	(ii)	–	3,999
Service fee income	(ii)	–	4,365
Sales of movie script	(iii)	1,900	–
Others	(ii)	–	858
Other related parties			
Programmes and channel licensing fees	(iv)	66,548	99,080
Advertising consultancy fees	(iv)	9,200	11,631
		<b>77,648</b>	<b>133,134</b>
Purchases of services:			
Joint venture			
Programmes and channel licensing fees	(i)	–	(12,736)
Associates			
Playback and uplink service fees	(ii)	–	(15,276)
Service fees	(v)	(1,050)	–
Others	(ii)	–	(2,187)
		<b>(1,050)</b>	<b>(30,199)</b>

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

Notes:

- (i) The fees were received from/(paid to) Liann Yee Production Co., Ltd. ("Liann Yee"). Liann Yee ceased to be a joint venture of the Group upon the completion of the disposal on the remaining 47% equity interest on 10 March 2016.
- (ii) The fees were received from/(paid to) TVB Network Vision Limited (now known as Big Big Channel Limited), an associate of the Group, which has become a subsidiary since 9 November 2016 upon the further acquisition of its equity interest.
- (iii) A movie script was sold to Shaw Brothers Pictures International Limited ("Shaw Brothers Pictures International"), an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.
- (iv) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd. ("MEASAT"), a fellow subsidiary of the non-controlling shareholder of the TVBPH Group. Following the acquisition of the remaining equity interests in TVBPH Group as detailed in Note 25, MEASAT ceased to be a related party with effect from 22 May 2017.
- (v) The fees were paid to Tailor Made Production Limited, an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.

During the period, a movie interest of HK\$2,000,000 was transferred to Shaw Brothers Pictures International and another movie investment of HK\$4,000,000 was acquired from Shaw Brothers Pictures International.

The fees received from/(paid to) related parties are based upon mutually agreed terms and conditions.

### (b) Key management compensation

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Salaries and other short-term employee benefits	10,423	11,247

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### (c) Fund advanced to related parties

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Fund advanced to joint ventures		
Beginning of the period/year	49,340	54,398
Repayment of fund advanced	–	(4,400)
Exchange differences	350	(658)
End of the period/year	49,690	49,340

### 27 EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 26 July 2017, TVB Venture Investment, LLC (“TVB Venture”), an indirect wholly-owned subsidiary of the Company and Imagine Holding Company LLC (“Imagine”) entered into the agreement in relation to the formation of a joint venture company, Imagine Tiger Television, LLC (“ITT”), on a 50:50 basis between TVB Venture and Imagine. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. TVB Venture has contributed to the capital of ITT in an amount of US\$33,333,333 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US\$66,666,667 in the form of the Promissory Note. Details of the formation of ITT are set out in the Company’s announcement dated 26 July 2017.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 50, which comprises the condensed consolidated statement of financial position of Television Broadcasts Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

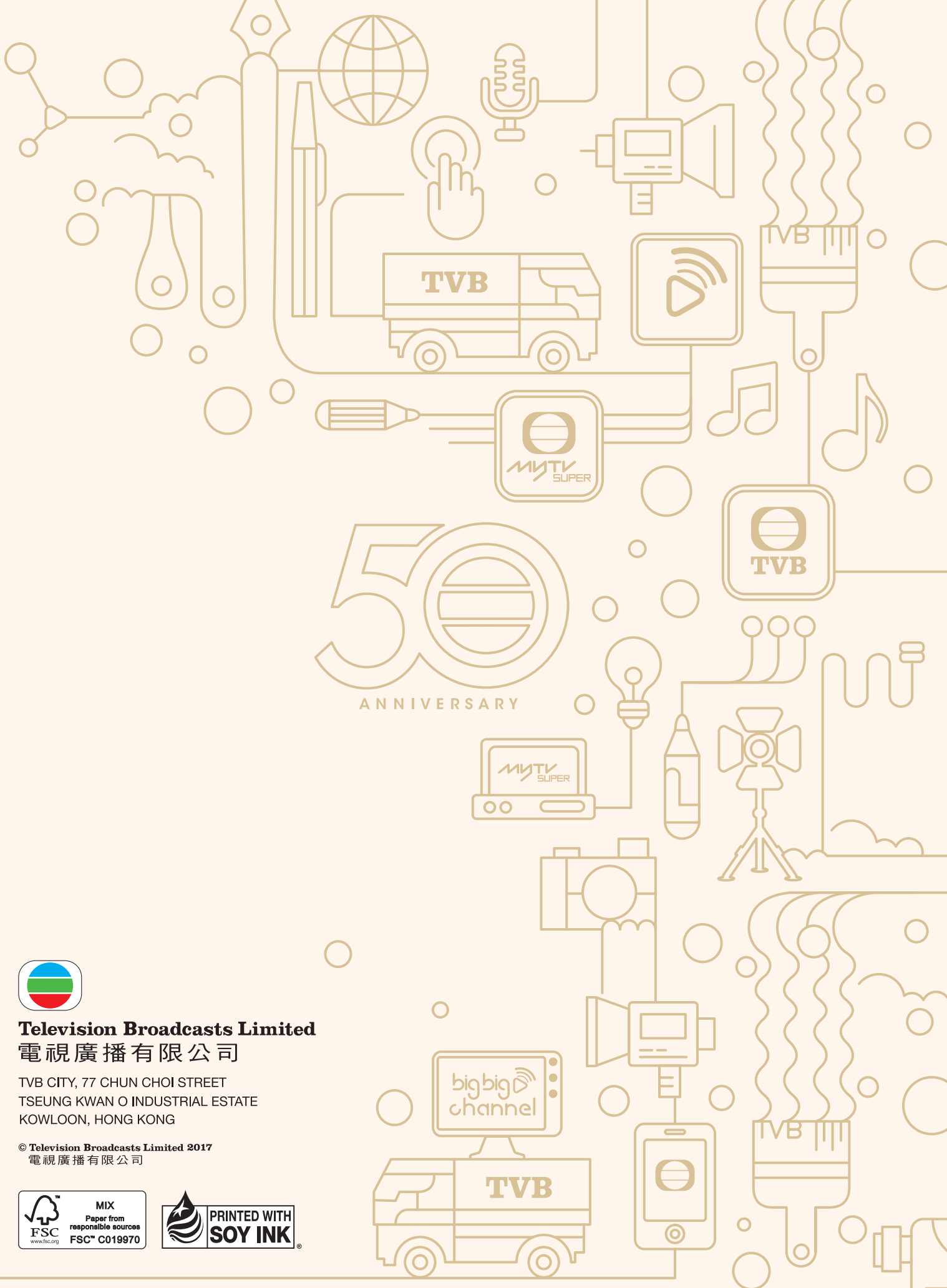
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23 August 2017

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