TVB2016

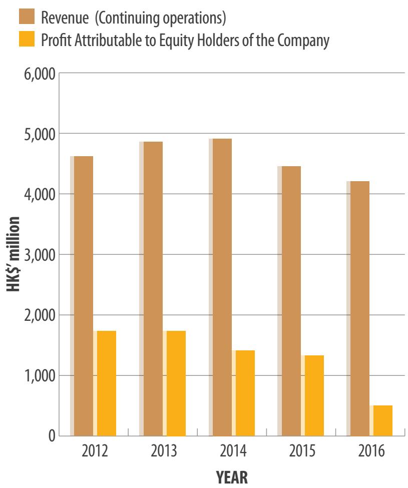
Annual Report

Television Broadcasts Limited
電視廣播有限公司

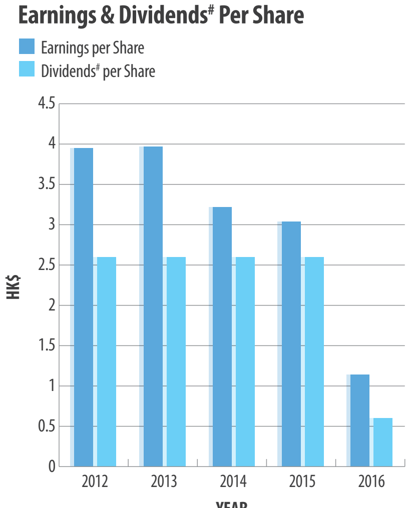
Stock Code : 00511

FINANCIAL HIGHLIGHTS

Revenue and Profit Attributable to Equity Holders of the Company



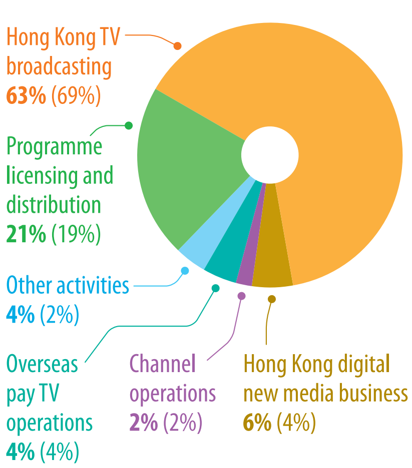
Earnings & Dividends# Per Share



excluding special dividend

2016 Revenue by Operating Segment

% relating to 2015 are shown in brackets



	2016	2015	Change
Performance			
Earnings per share	**HK$1.14**	HK$3.04	-62%
Dividends per share			
- Interim	**HK$0.60**	HK$0.60	–
- Final	**–**	HK$2.00	-100%
	HK$0.60	HK$2.60	-77%
	HK$'mil	HK$'mil	
Revenue			
- Hong Kong TV broadcasting	**2,707**	3,105	-13%
- Hong Kong digital new media business	**230**	170	35%
- Programme licensing and distribution	**1,019**	951	7%
- Overseas pay TV operations	**169**	186	-9%
- Channel operations	**90**	105	-14%
- Other activities	**191**	129	48%
- Inter-segment elimination	**(196)**	(191)	2%
	4,210	4,455	-5%
	HK$'mil	HK$'mil	
Segment (loss)/profit*			
- Hong Kong TV broadcasting	**(71)**	551	N/A
- Hong Kong digital new media business	**(29)**	41	N/A
- Programme licensing and distribution	**444**	410	8%
- Overseas pay TV operations	**(40)**	(30)	31%
- Channel operations	**2**	18	-87%
- Other activities	**27**	11	151%
- Corporate support	**(33)**	–	N/A
- Inter-segment elimination	**1**	(1)	N/A
	301	1,000	-70%
Total expenses△	**3,888**	3,439	13%
Profit attributable to equity holders	**500**	1,331	-62%
	31 December 2016 HK$'mil	31 December 2015 HK$'mil	
Total assets	**12,357**	9,113	36%
Total liabilities	**5,127**	1,277	301%
Total equity	**7,230**	7,836	-8%
Number of issued shares	**438,000,000**	438,000,000	–
Ratios			
Current ratio	**10.1**	8.8	
Gearing	**53.1%**	3.0%	

* excluding non-recurring income/(expenses)

△ 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
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
TVB 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
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College Station
TX 77842–3170
USA

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Email: ir@tvb.com.hk
Fax: +852 2358 1337

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www.corporate.tvb.com

CORPORATE CALENDAR

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

DR. CHARLES CHAN KWOK KEUNG

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to report the results for the financial year ended 31 December 2016.

PERFORMANCE, CAPITAL, AND DIVIDEND

For the year, the Group reported a profit attributable to equity holders of HK$500 million (2015: HK$1,331 million), which represented a decrease of 62% over last year, and an earnings per share of HK$1.14 (2015: HK$3.04). These results are consistent with the Board announcement on 7 December 2016, which alerted our shareholders to the business trends. We attribute the decline in profit to a weak advertising market in Hong Kong; start-up costs associated with our new businesses; and certain exceptional gains in 2015 which were not repeated.

The low-interest-rate environment during 2016 presented us with the opportunity to issue an unsecured guaranteed notes raising US$500 million at a coupon of 3.625%. This transaction was successfully completed in October 2016. With a much stronger cash position, the Board felt increased confidence to implement new business initiatives and corporate transactions in furtherance of the Company's business.

On 13 February 2017, the Board announced a revised share buy-back proposal to repurchase 120 million shares out of 438 million shares (representing approximately 27.40% of the total number of shares) at the offer price of HK$35.075 per share ("Offer") which requires a cash outlay of HK$4,209 million. This Offer supersedes an earlier proposal announced on 24 January 2017. Having considered other possible investment alternatives, the Board decided that the share buy-back, if implemented after receiving due approval, would enhance shareholders' value as the share buy-back will have an accretive effect in the Group's earnings per share. The Offer is currently subject to the regulatory process and the date for an extraordinary general meeting has not been fixed.

The Board had declared on 24 August 2016 an interim dividend of HK$0.60 per share for the year ended 31 December 2016. However, the Board has resolved to defer the proposal for further dividend to the next Board meeting immediately following the outcome of the Offer for the share buy-back. The Offer will clearly have an impact on the number of Shares in issue and the balance of cash and distributable reserves that the Company has for any such dividend. The Company expects that, barring unforeseen circumstances, the agenda for the forthcoming annual general meeting of the Company will include matters relating to dividend.

BUSINESS REVIEW

Hong Kong's economic downturn has persisted since the last quarter of 2014, dampening local consumer spending and the retail market. We are experiencing one of the most difficult operating environments in our history. Our traditional business of terrestrial

TV broadcasting has been disrupted by a sluggish advertising market, the aftermath of media content globalisation, and the changing viewing habits of our audience. The Board fully supports management to innovate and adapt to changes. Since the beginning of 2016, the Company has strategically extended the distribution of programmes into digital new media both in Hong Kong and overseas. Thanks to the support of our viewers, we have achieved initial successes in garnering over 3 million users of myTV SUPER service in Hong Kong.

Launched in April 2016, myTV SUPER has become the leading Chinese-content OTT platform with 50 TVB and international channels as well as more than 32,000 hours of video-on-demand programmes. In addition, we launched an upgraded version of our online video service TVB Anywhere in late 2016 for the international markets. We believe TVB's rich content library – with in-house productions complemented by selective acquired programmes – has given us a unique advantage in our transformation from a traditional terrestrial TV operator to a truly global OTT player. These OTT platforms underscore TVB's superior ability to monetise content.

We are sparing no less efforts in improving our businesses in Mainland China. A number of new co-production arrangements with key online players were put in place during the year, as a major step toward showcasing our productions in this vast market.

Since 2015, we have invested in two major movie platforms – Flagship Entertainment Group Limited (5.1% effective interest) and Hong Kong-listed Shaw Brothers Holdings Limited (12% effective interest). These platforms naturally extend our production expertise into the movie arena and will help us capture the growth of box office revenue globally. As these investments are still at their early stages, we are continuing to monitor their developments.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has always been a key part of our corporate philosophy. We work hard to protect the environment, ensure a healthy and safe workplace for our staff, and contribute to the betterment of Hong Kong.

Amongst many of our initiatives, TVB, Staff and Artistes Fund for Charities Limited ("Fund"), set up by the Company, has been running independently since 2013. The Fund has to date provided much needed financial support to over 500 local families and nearly 17,000 under-privileged individuals through sponsorships.

BOARD APPOINTMENT

On 17 October 2016, Mr. Li Ruigang was appointed Vice Chairman and Non-executive Director of the Company. I wish to warmly welcome Mr. Li in joining the Company, which will further strengthen the Board's diversity and market expertise. I also wish to thank Mr. Jonathan Milton Nelson, a former Non-executive Director, for his many contributions to the Board during his tenure.

A MAJOR MILESTONE IN 2017

TVB will celebrate its 50th anniversary in November 2017, a major milestone in the history of the Company. We pride ourselves on being a household name with millions of fans among the Chinese communities around the world. We would not have been able to achieve this without the support of our many loyal stakeholders, including over 4,200 staff members and artistes. Let us build on our past achievements to create an even brighter future.

Charles Chan Kwok Keung

Chairman

Hong Kong, 29 March 2017

GROUP CEO REPORT

MARK LEE PO ON

I wish to report a number of key issues to our shareholders and readers.

PROGRESS DURING YEAR

As noted in the Chairman's Statement, the Group's profit attributable to equity holders declined from HK$1,331 million to HK$500 million during the year, representing a decrease of HK$831 million or 62%. This decline in profit can be explained by four key factors: a decline in revenue of HK$398 million from Hong Kong TV broadcasting; an under-recovery of HK$150 million from broadcast of the Rio 2016 Olympic Games; net start-up costs of HK$44 million for the new myTV SUPER service; and a smaller net exceptional gain in 2016 relating mainly to the disposals of the remaining interest in Taiwan operations and the impairment loss relating to pay TV business, TVB Network Vision Limited, making up to an amount of HK$115 million.

Hong Kong TV broadcasting, the Group's largest business segment, was mainly supported by advertising, which remained sluggish throughout 2016. The softness was the result of lacklustre retail sales, which have continuously been dropping since March 2015, and the rising trend of online and social media advertising. Both factors contributed to a spending decline among our top advertisers. In trying to overcome such difficult market conditions, our sales strategy is to target new advertisers; tailor-make one-stop advertising solutions for customers; and at the same time, revamp our internal processes to facilitate sales and to enhance customers' experience. Back in 2014, the Company commissioned a re-write of the advertising sales systems, with the aim of updating workflow and improving services to agencies and clients. I am pleased to report that the first phase of this new system went live in January 2017, and further changes will be progressively introduced in the coming months.

In Hong Kong, our TV broadcasting segment offers five free-to-air channels (Jade, J2, Pearl, iNews, and J5) to a total of 2,463,000 households. Each channel targets different audience demographics but complements each other on the whole. We recently repositioned J5 as a distinct channel for finance with corresponding changes to its programming.

Broadcast of the Rio 2016 Olympic Games fell short of achieving the anticipated advertising sales targets. In spite of this, we successfully delivered via myTV SUPER six live sports channels and over 2,000 hours of Olympics content on demand, covering all 42 sports events. We believe TVB was the first broadcaster to offer such an extensive coverage of the Olympic Games on an OTT platform.

The Group continued to invest heavily to further enrich our content offering. A number of prime time dramas were aired on Jade to critical acclaim in Hong Kong and in the international markets. Since original content creation is a vital part of our business, we have retained a substantial talent pool in script-writing, production, and performance to support our productions. In 2017, we are expanding our frontier into co-productions with a number of major mainland Chinese platforms, including Tencent and iQiyi, which would further generate new business opportunities in Mainland China. With these new endeavours, we hope to further enhance our brand awareness and raise the bar of our production.

OVERSEAS BUSINESSES

Our distribution businesses in Malaysia and Singapore continued to perform satisfactorily. MEASAT Broadcast Network Systems Sdn Bhd in Malaysia and TVB will further strengthen our partnership over the next four years. The recent production of the *2016 Miss Chinese International Pageant* in Genting, Malaysia, was a clear demonstration of our commitment to enhance the Company's presence there. We are also working with StarHub Cable Vision Ltd. in Singapore to further develop our business and increase joint productions in the coming years.

Back in 2015, the Board decided to exit the Taiwan market to re-direct its resources in Mainland China and Hong Kong. This had resulted in a number of disposals of business operations and property assets. The disposal of the last remaining 47% interest in Liann Yee Production Co., Ltd. and the studio and office building in Neihu District of Taipei City took place in 2016; exceptional items arising from both disposals resulted in a net gain of HK$295 million. The Board is proposing to dispose of the Group's last remaining property asset in Taipei in 2017.

DEVELOPMENT OF DISTRIBUTION PLATFORMS

myTV SUPER made its debut in Hong Kong on 18 April 2016, representing a major step in our foray into distribution through digital new media. The service allows our audience to choose from a huge selection of programmes and watch them at the click of a button – all at a very low subscription. In a little less than a year, myTV SUPER has accumulated a total of over 3 million users, well exceeding our original target of 1.4 million users by November 2017. Our partnerships with two Internet service providers, Hong Kong Broadband and Hutchison Telecommunications, to deliver a dual broadband and content offering have proven to be a huge success. In addition, we have been working to migrate existing pay TV subscribers under TVB Network Vision platform to myTV SUPER, as it submitted an application to surrender its domestic pay TV service licence to the Government of the HKSAR.

As a second step of our digital media strategy, we launched an upgraded version of TVB Anywhere for the overseas markets, which includes an e-commerce platform, in September 2016. We believe the two services combined will offer a comprehensive OTT solution that will prove attractive for subscribers.

To complete digital new media plan, we will be launching during 2017 a new social media platform, Big Big Channel. Preparation work is underway, and the platform will showcase TVB-produced short programmes featuring our artistes who engage with online viewers.

OUTLOOK

The market outlook for 2017 remains uncertain and advertising sales may take time to recover. Yet, with the initial success of our OTT services, the Board is confident that these expanded platforms will support our business beyond the existing limits imposed by our free-to-air TV licence.

Mark Lee Po On

Group Chief Executive Officer

Hong Kong, 29 March 2017

OUR BUSINESSES AT A GLANCE

SEGMENT	BUSINESS MODEL	PRODUCTS/BRAND	MARKET	GROUP'S INTERESTS
TV Broadcasting	Free-to-air TV broadcasting through terrestrial TV network and programme production in Hong Kong generating advertising revenue	Digital channels (Jade, J2, Pearl, iNews and J5) and analog channels (Jade, Pearl)	Hong Kong and Macau	100%
Hong Kong Digital New Media	Monetisation of content through online and mobile devices	myTV SUPER, www.tvb.com and a range of mobile apps	Hong Kong and Macau	100%
Other Activities	Investment in complementary businesses	Weekly magazine TVB Weekly; music publishing; movie investment; and movie production	Hong Kong, Mainland China and Taiwan	• Publication: 73.68% • Music publishing: 100% • Movie Investment: 5-12% effective
Programme Licensing and Distribution	Licensing and distribution of TVB produced channels and programmes for traditional and online distribution	TVB programmes and channels (in Cantonese or dubbed soundtracks)	Key markets • Malaysia • Singapore • Mainland China Other territories • USA and Canada • Vietnam	• Licensing and distribution: 100% • Mainland China: 55%
Overseas Pay TV Operations	Subscription pay TV service	• TVB channels bundled with DISH Network offerings in North America (USA) • OTT TV service "TVB Anywhere"	• North America (USA) • Australia • Europe • Rest of the world	100%
Channel Operations	Production and operation of two satellite TV channels	TVB8 and Xing He channels	• Mainland China • Malaysia • Singapore	100%

Television Broadcasts Limited (00511): Founded in 1967 and being the first wireless commercial television station in Hong Kong, TVB is now one of the free-to-air TV broadcasters in Hong Kong and one of the largest commercial Chinese programme producers in the world. It owns five free-to-air channels – Jade, J2, J5, iNews (Cantonese) and Pearl (English), and 14 thematic channels. TVB generates over half of its total revenue in Hong Kong, with the balance from the rest of the world through licensing and subscription businesses. TVB was listed on The Stock Exchange of Hong Kong Limited in 1984.

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

The broadcasting business in Hong Kong continues to be our core business, accounting for approximately 63% of the Group's revenue.

TV ADVERTISING

TVB's revenue decreased 13% year-on-year, dragged down by a slump in retail sales and more advertisers opting for online and social media platforms. The decline, however, was not as steep as that of Hong Kong's total ad market (covering all media vehicles including TV), which dropped an estimated 13% to 18% in 2016.

Hong Kong retail sales fell 8.1% year-on-year and have been in continuous decline for 22 months since March 2015 – both the percentage and length of decline were unprecedented in local retail history. This has severely dampened advertising sales, which was also affected by the rising trend of online and social media advertising. Although it is hard to quantify the latter's exact impact, empirical observation suggests that this trend has partially contributed to falling spending in the categories of skincare, food and dining, banking and financial services as well as other discretionary fast-moving consumer products. As a result of our concerted efforts to improve revenues, the decline in our advertising business was at the low end of market estimates.

During the year, we actively pursued advertising dollars from online service providers, including game developers, travel agents, financial services, and property agents. Despite being online operators, these companies found business value in building their brands via television advertising and sponsorships, attesting to the unrivalled ability of TV in enhancing brand power. Another stand-out category was non-governmental organisations (NGO) and social service providers, which outperformed other rising categories in 2016. These organisations found value in our tailor-made sponsored programmes and event coverage.

A second key revenue-generating initiative was to expand our production services for TV commercials and mini-programmes. This service, combined with affordable entry-level airtime packages, helped satisfy smaller advertisers and the shorter-term needs of bigger advertisers. Production services revenue recorded encouraging growth in 2016.

The Olympic airtime packages also contributed revenue to our multiple channels. To boost advertisers' return on investment, we launched ADfun, an interactive app that allows viewers to act instantly upon watching a particular commercial on TVB channels; they can simply point their mobile phones at the TV and ADfun will recognise the commercial and direct them to the advertiser's product website or social media account. In time, this functionality will bring more value to TV advertising as advertisers learn to better engage with the audience.

TERRESTRIAL TV CHANNELS

Hong Kong's free-to-air TV market underwent a sea change over the past year with ATV ceasing operation and the emergence of ViuTV (under PCCW Group) in April 2016.

Facing intensifying competition, TVB worked hard to maintain its leading position through a series of strategic moves. In April 2016, myTV SUPER was launched to provide the audience with a brand-new viewing option combining traditional terrestrial TV channels and other on-demand content. In the free TV space, the station continued to broadcast a variety of high-quality self-produced and acquired programmes on Jade, J2, Pearl, and J5 as well as comprehensive news offerings on iNews. The diverse programming boosted the average audience share[1] of TVB's terrestrial TV channels[2] against the total TV channels in Hong Kong, which include free and pay TV channels, from 82% to 84% during weekday prime time[3] in 2016.

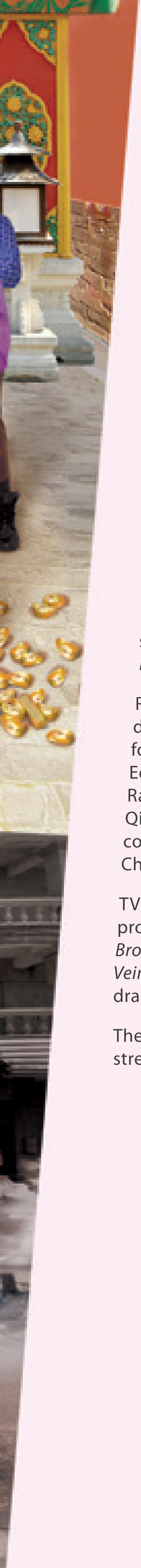
Our appointment as Hong Kong's official broadcaster of the Rio 2016 Olympic Games represented another milestone in bringing major sports events to Hong Kong viewers. We were one of the TV stations around the world providing comprehensive coverage of the Games via multiple platforms including free-to-air channels, OTT, pay television, the Internet, and mobile devices. In the lead-up to the quadrennial event, the station produced lead-in programmes including *Countdown To Rio*, *Hong Kong Heroes*, and *Road to Rio* to early engage the audience.

During the 16-day event, 400 hours of live games were telecast on Jade, J5, and Pearl. Six special Olympic channels were added to air more than 2,000 hours of live games; a playback function and "Olympic Zone" were available on myTV SUPER to help audience easier in overcoming time lag and reviewing events of their choice. To help viewers keep up with Hong Kong athletes' performance in the Games, catch up videos covering events that they competed were specially edited into a unit titled "Hong Kong Athletes" in Olympic Zone. TVB also rearranged its prime time programme line-up on Jade and J5 to offer up-to-date game results, the Olympics medal table, and interviews with athletes to the audience. The most popular events included badminton, diving, cycling, and women volleyball, with the gold medal match for Men's Singles Badminton attracting the highest viewership during prime time.

House Of Spirits

Short End Of the Stick

A Fist Within Four Walls



REVIEW OF OPERATIONS

21 TVRs
Total Jade weekday prime time (69% of Total TV)

JADE CHANNEL

Drama

High-quality self-produced dramas remained the flagship channel's prime time key attraction. The top-rated title of 2016 was action drama *A Fist Within Four Walls*, which attained an average consolidated rating[4] of 30.7 TVRs (a TV rating[5] of 27.2 TVRs, an online live rating[6] of 0.3 TVRs, and an online catch-up rating[7] of 3.2 TVRs). To elevate the action sequences, acclaimed Hollywood martial arts choreographer Philip Kwok Chui was enlisted to serve as action director; the cast also featured action artistes Philip Ng Wan Lung and Yuen Qiu. The drama's tight plot and strong characters appealed to the audience, with main protagonists Ruco Chan Chin Pang, Nancy Wu Ting Yan, Benjamin Yuen Wai Ho, and Grace Wong Kwan Hing scoring four major acting awards in the *TV Awards Presentation 2016*.

Released as a Lunar New Year comedy, period drama *Short End Of the Stick* depicted the lives of four eunuchs played by Wayne Lai Yiu Cheung, Edwin Siu Ching Nam, Power Chan Kwok Pong, Raymond Cho Wing Lim following the fall of the Qing Dynasty. Viewers reacted warmly to the comedic depictions of the characters, which helped Cho clinch the Best Supporting Actor award in 2016.

TVB continued to dedicate tremendous resources on producing dramas in outport destinations, including *Brother's Keeper II*, set in Okinawa and Macau; *Blue Veins*, filmed in the Netherlands; and anniversary drama *Dead Wrong*, shot in Vietnam.

The return of veteran actors to several TVB dramas strengthened the cast in 2016. *Law dis-Order*, headlined by Dick Liu Kai Chi and Alex Fong Chung Shun, departed from the usual theme of traditional legal dramas, focusing instead on the in-fighting between two attorneys at a prestigious law firm in their pursuit of money and power.

Supernatural family drama *House of Spirits* marked the return of popular actor Bobby Au Yeung Chun Wah in the lead role of Po Foon. Joyce Tang Lai Ming, Jonathan Cheung Wing Hong, and Bob Cheung Yin Pok played the younger siblings of the Po family as they reunited in their ancestral home following their father's death. The cast also included beloved actors Woo Fung and Law Lan playing the family's ghost buddies. The drama garnered positive reviews for its warmth and humour. Another comedy *My Dangerous Mafia Retirement Plan* – featuring veteran actors Kent Cheng Jut Si and Tommy Wong Kwong Leung – was also well-received by the audience.

Breakout performances this year included Vincent Wong Ho Shun and Tracy Chu Tsin Suet, who were highly praised on social media platforms for their roles in innovative action-thriller *Over Run Over*. Viewers were also impressed by Benjamin Yuen Wai Ho's comical portrayal of a traffic policeman in *Speed Of Life*. TVB anniversary drama *Two Steps From Heaven* and suspense drama *Dead Wrong* sparked heated discussions among the audience on online platforms.

The long-running sitcom, *Come Home Love* Series, continued to attract viewers. The third sequel *Come Home Love: Dinner at 8*, featuring the audience's favourite on-screen couple Wayne Lai Yiu Cheung and Teresa Mo Shun Kwan, wrapped up in January 2017. The latest sequel *Come Home Love: Lo and Behold*, with a new cast, began broadcasting in February 2017.

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

2 TVB's terrestrial TV channels comprise Jade, J2, iNews, Pearl, and J5.

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

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

5 TV rating ("TVR") includes "live" viewing from terrestrial TV and "live" & "as live" viewing from myTV SUPER's OTT Box. It represents the size of the audience expressed as a percentage of the total TV population. For 2016, the total TV population comprised 6,491,000 viewers, and therefore, 1 TVR represented 64,910 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.

6 Online live rating is defined as an aggregate live rating generated from live channel broadcasts via myTV (web and mobile app platforms) and myTV SUPER mobile app platform. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online live rating also represents 64,910 viewers, same as TV rating.

7 Online catch-up rating is defined as an aggregate catch-up rating of myTV (web and mobile app platforms) and myTV SUPER (OTT box and mobile app platforms). Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,910 viewers, same as TV rating.

REVIEW OF OPERATIONS

Non-drama

In addition to traditional non-drama highlights such as food and travel programmes, TVB strived to produce more variety shows and infotainment programmes in 2016. To cater to the needs of our overseas supporters, live shows were broadcast simultaneously in countries sharing similar time zones as Hong Kong and were made available to our European and US audiences through delayed transmission.

Variety shows *My Love*, *myTV SUPER* and *myTV SUPER All Star Summer* were specially prepared to introduce our new OTT platform, myTV SUPER, and the local productions and acquired programmes available on it.

This year's *Miss Hong Kong Pageant 2016* and *Mr Hong Kong Contest 2016* – the latter returning after a four-year hiatus – were combined to create a spectacular gala. The event was telecast via Jade and myTV SUPER.

Two dedicated zones for the pageants were tailor-made on myTV SUPER to let the audience gain a deeper understanding of the contestants. As in previous years, the winners were selected by viewers who cast their votes through our interactive app TVB fun. The same voting method was also used in the annual *TV Awards Presentation 2016*, which was held in December, to increase audience participation.

Two food programmes stood out in the year. Hosts Maria Cordero and Steve Lee Ka Ding dazzled the audience with their superb culinary skills in their respective programmes, *Good Cheap Eats* Series and *The Ahistoric Grandpa Cooking Show*. Viewers were particularly impressed with Lee, who was previously more well-known for his kungfu prowess rather than deep knowledge of traditional Cantonese cuisine.

The production of travel reality show *Peak To Pit* involved extensive preparation and resources but the outcome garnered rave reviews. The programme showcased the breath-taking sceneries of the Himalayas in Nepal and the Dashiwei Tiankeng in Guangxi, the second-largest sinkhole in the world. The show won Best Special Programme in 2016.

Telecast on weeknights, *Spirits On Vacation* was a travelogue featuring the same cast from comedy *House Of Spirits* on a journey to Taiwan. Viewers took to the fun interaction between the actors portraying the Po family. In the *Kansai Raider* series, host Helen To Yu Fung shared her travel tips for western Japan. The show was so popular that its first series became the top-rated thematic programme for the 22:30 timeslot in 2016 and its sequel, *Kaisai Raider (Sr.2)*, was released a few months later to cater to the demands of travel buffs.

Self-produced variety programmes continued to attract eyeballs. *I Heart HK* was a new game show hosted by Eric Tsang Chi Wai, Chin Ka Lok, Jerry Lamb Hiu Fung – the popular trio of *Super Trio Series* fame – and over 10 other artistes. Appealing to the audience's nostalgia for old Hong Kong, popular celebrities appeared on the show as guests representing their own neighbourhoods and battling against each other. The show was the top-rated weekend variety programme and clinched the title of "Best Enrichment Programme" in 2016. *Sunday Stage Fight* kept Jade's audience entertained on Sunday nights by showcasing the superb acting talents of TVB's supporting artistes.

During the year, Jade also produced several well-received programmes with themes focusing on today's children. *5 Kids And A Bloke*, hosted by five child actors who appeared in the award-winning movie *Little Big Master* and Tony Hung Wing Sing, highlighted the importance of caring for the Earth. Infotainment programme *The Treadmill Runner* took a comedic twist of the extremes that Hong Kong's "monster" parents went through to boost their children's competitiveness, shedding light on this heated social topic.


I Heart HK

Miss Hong Kong Pageant 2016

TV Awards Presentation 2016

The Ahistoric Grandpa Cooking Show

Buskkkkk Music

Pinocchio

Fun Abroad

Thai Rogered

REVIEW OF OPERATIONS

1.9 TVRs
J2
prime time
(7% of Total TV)

J2 CHANNEL

J2 further consolidated its image as a trendy and innovative channel by offering a variety of entertaining programmes from acquired dramas, travelogues to music shows.

Since October, a new one-hour Korean drama slot has been added at 22:00, allowing fans to catch up with the latest dramas. The long-running talk show, *Big Boys Club*, was rescheduled to the 00:00–00:30 timeslot to cover a broader and more sensitive range of topics.

Viewers continued to tune in to in-house produced travelogues. The second season of *Fun Abroad* invited new rising stars to explore places as diverse as the Maldives, Paris, Tokyo to Siberia, New Zealand, and Mongolia. Inspired by the success of Jade's *World's Great Parties*, which highlighted selected festivals in foreign countries, J2 telecast a re-edited version of one of the episodes, *Tony's Indian Colors*.

J2 continued to produce a series of music programmes to support the local music industry. A brand-new programme *Buskkkkk Music* was introduced to promote Hong Kong's street music culture and let budding musicians perform on a mobile stage vehicle. *Music Café*, another long-running programme, served as a platform for up-and-coming Hong Kong singers to showcase their talents and music.

Japanese and Korean dramas including *Dr. Storks*, *Doctor-X (III)*, *Oh My Venus*, and *Pinocchio* received great reviews from the audience. Korean variety shows *The Law of the Jungle* and *Running Man* as well as Taiwan's variety programme *iWalker-James (III)* also attracted a steady pool of viewers.

Broadcast of Mark Six and *Horse Racing Day* continued throughout 2016 on J2. One highlight was the 40th Anniversary Snowball Draw on 1 March 2016, which drew a record turnover in Mark Six's history, attained a high rating of 9.8 TVRs.

Big Boys Club

REVIEW OF OPERATIONS

1.5 TVRs
iNews
prime time
(5% of Total TV)

iNEWS

INEWS CHANNEL AND NEWS PROGRAMMES

iNews remained the most-watched news channel and the audience's go-to place for major news in Hong Kong. The reporting team provided comprehensive on-site coverage of key breaking stories such as the Mong Kok riot during Chinese New Year and the 2016 Hong Kong Legislative Council Election. The most-anticipated international news event of 2016 was the US presidential election. The team closely tracked and quickly reported on election developments, inviting experts to provide in-depth analyses on the results and potential impacts.

Various segments including *News Watch English* and *Medi Info Cancer* were added in between newscasts to provide more information on a wide range of topics. Other regular segments such as *Global View* and *China News Wrap Up* aimed to further enrich our audience's knowledge of local and international issues. Because of overwhelming response from the viewers, *Big Big World (III)* was re-edited into ten 30-minute episodes and telecast on Jade at 22:30 on weekdays in January 2017.

Good Morning Hong Kong has been rescheduled to start half an hour earlier at 6:00 a.m.


Big Big World (III)


Brexit Polling in London


2016 US Presidential election


Legco Election Forum (NTE)

News Watch English

Dolce Vita


Adventures to the Edge 2

The Oscar®
Oscar Statuette: ©A.M.P.A.S.®

REVIEW OF OPERATIONS

Pearl

1.1 TVRs

Pearl
prime time
(4% of Total TV)

PEARL CHANNEL

First-rate documentaries, movies, dramas, lifestyle programmes, and international events helped cement Pearl's status as an up-market, stylish, and international channel.

The second season of in-house-produced travelogue, *Adventures to the Edge 2*, attained an impressive TV rating that was 50% higher than its first season. Host Sean Lee-Davies continued his journey around the globe to photograph some of the planet's most endangered species and beautiful natural attractions to raise awareness for environmental protection.

In Vino Veritas 3 made a comeback in 2016. Wine critic Jeannie Cho Lee, celebrity chef Nicolas Boutin, and different guests brought the audience to explore the new and old worlds of wine: Chile and France.

Family animation films remained a favourite of the audience and *Frozen* was the top-rated movie of 2016. Coinciding with the release of *Finding Dory* in cinema, *Finding Nemo* was telecast to allow the audience to catch up on the first series of the clownfish adventure tale. Many viewers also tuned in to superhero movies such as *Captain America*, *Spider-Man*, and *Man of Steel*.

David Attenborough's natural history series were broadcast to critical acclaim, with *The Making of David Attenborough's Conquest of the Skies* emerging as the favourite documentary in 2016. Other popular titles included *Wildest Indochina* and BBC's *Nature's Weirdest Events (IV)* and *Shark Spectacular: Shark Beyond the Bite*.

Popular acquired US drama serials *The People v. OJ Simpson: American Crime Story*, *Castle*, and *The X Files* all attained good ratings.

Acquired entertainment and variety shows, such as *America's Funniest Home Videos* and *America's Got Talent/Britain's Got Talent*, were selected to lighten up family times for Pearl fans at weekends.

The channel also provided extensive live telecast of world-class sports events hosted in Hong Kong throughout the year, including *The Masters of Hong Kong 2016*, *Hong Kong Squash Open 2016*, and *Hong Kong Tennis Open 2016*.

As in previous years, *The Oscars®* continued to attract many cinephiles to the annual star-studded gala.

In Vino Veritas 3

REVIEW OF OPERATIONS

1.0 TVRs
J5
prime time
(4% of Total TV)

J5 CHANNEL

HD Jade discontinued its simulcast hours with Jade in early 2016 and was renamed J5, repositioning itself as a financial channel mainly providing knowledge programmes and variety shows.

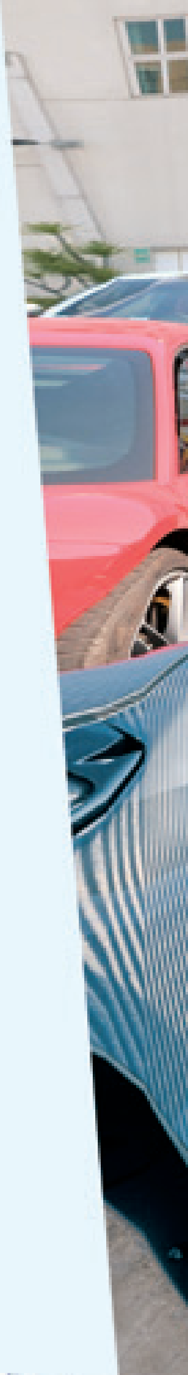
Programmes prepared by TVB News – including *Economic GPS*, *Road to Wealth*, *Property Market*, and *Property Magazine* – offered up-to-date market information and received great feedback. More informative programmes will be introduced to provide wider coverage on topics such as investment, innovative technology, interior design, and career development.

Launched in November 2016, *Biz Triz* was a self-produced informative programme hosted by renowned veteran market analyst Mr. Chan Wing Luk. Chan interviewed successful entrepreneurs who shared with the audience management strategies and insights about their respective industries including transportation, retail, catering, and Chinese medicine. The show was positively received.

J5's late-night programme line-up has been strategically changed to include a drama slot every night to help our busy viewers unwind. Re-runs of TVB classics like *E.U.* and *When Heaven Burns* was shown in the 22:30–23:30 timeslot, and was immediately followed by the popular acquired Mainland dramas, including the *Legend of Mi Yue* and *The Romance of the Condor Heroes*.

Star-studded Chinese variety shows such as *The Brain China (II)*, *Chef Nic (III)*, *China Star*, *I Am a Singer (IV)*, and *The Amazing Race (II)* were scheduled to strengthen the programme line-up.

To cater to sports lovers, international events such as *Hong Kong Open Badminton Championships 2016*, *FINA World Swimming Championships (25m) 2016*, and *2016 Super Kung Sheung Cup International Basketball Invitation Championship* were telecast live.



Innovation GPS

Insiders Tips

Investment Tips

Nice Wheels

Closer Look at Property

Biz Triz

Chef Nic (III)

The CEO Diner

The Full-Time Wife Escapist

The Disguiser

Come Sing with Me

Unplanned Trip - Iceland

REVIEW OF OPERATIONS

TVB 網絡電視 NETWORK VISION

OTHER TVB-PRODUCED CHANNELS

TVB produced an array of 14 thematic channels for its new OTT platform, myTV SUPER. The channels are Japanese Drama, Korean Drama, Chinese Drama, Asian Select, TVB Classic, Classic Movies, Asian Variety, Food, Sports, Jade Catch Up, Entertainment News, TVBN2, TVB Radio, and Travel.

As the market leader, TVB's drama package offers an excellent variety of high-quality local and foreign dramas. In 2016, its Japanese, Korean and Chinese drama channels broadcasted almost 1,900 hours of premium titles from around Asia. Prominent titles included *Signal*, *The Full-Time Wife Escapist*, and *The Disguiser*. These dramas were scheduled shortly after their local telecast and dubbed in Cantonese to enhance viewers' enjoyment.

The popular TVB Classic Channel offers selections from TVB's massive programme archive. Apart from its famed *Stardust Memories* and *TVB Star Power* packages showcasing the drama collection of renowned artists, classic game show *Movie Buff Championship* has been added to let the audience enjoy TVB's top variety programmes.

During the Rio 2016 Olympic Games in August, Sports delivered round-the-clock coverage of the games bringing the audience's interest to a fever pitch. Before the opening ceremony, the first rounds of men's and women's football matches were telecast exclusively as a lead-in to the grand event.

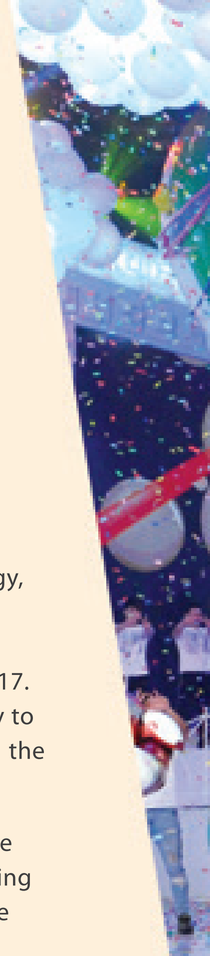
Asian Variety and Travel channels showcased acclaimed variety programmes from China and Korea. New live music show *Come Sing with Me* offered the audience an opportunity to perform on stage with their idols including Joey Yung, Coco Lee and David Tao. Korean reality travelogue *Unplanned Trip – Iceland & Africa* featured actors Cho Jung Seok, Kang Ha Neul and Park Bo Gum.

Entertainment News covered the hottest local and international showbiz buzz. To engage the audience in *Miss Hong Kong Pageant 2016* and *Mr Hong Kong Contest 2016*, the channel arranged on-the-spot coverage of the preliminary events to announce the finalists of the contests. Self-produced programme *Sweets Workshop* premiered on the Food channel, featuring renowned pastry chef Jeffery Koo offering lessons on baking a variety of sweets including cupcakes, pies, macaroons, and mousse cakes.

TVB Radio was launched in June to add variety to the myTV SUPER bundle. Music lovers can enjoy a wide array of Cantonese and Mandarin pop songs as well as old classics rearranged and covered by up-and-coming singers.

Sweets Workshop

REVIEW OF OPERATIONS



HONG KONG DIGITAL NEW MEDIA BUSINESS

2016 was a banner year for TVB's online operations. Having achieved phenomenal success since its launch on 18 April 2016, myTV SUPER is on its way to becoming Hong Kong's largest and best OTT online video platform for long-form video content.

myTV SUPER has reached more than 3 million users in just less than one year from official launch in April 2016. Independent market research also confirms that viewers agree it provides the best picture quality and its streaming performance is well above industry standards. Other improvements will be made in 2017 to further enhance user experience in terms of navigation and content discovery.

The service excels because of the Company's focus on four areas: content, distribution, technology, and promotion. Strong content is a great feature of myTV SUPER, which carries 19 TVB channels (including five free-to-air channels in higher-than-terrestrial broadcast quality), over 30 international channels, and more than 32,000 hours of video-on-demand content from TVB's archive and other content providers. In August 2016, myTV SUPER made history by bringing six live Olympic channels and more than 2,000 hours of VOD Olympic content (including over 100 hours in full 4K) to Hong Kong viewers for the first time ever.

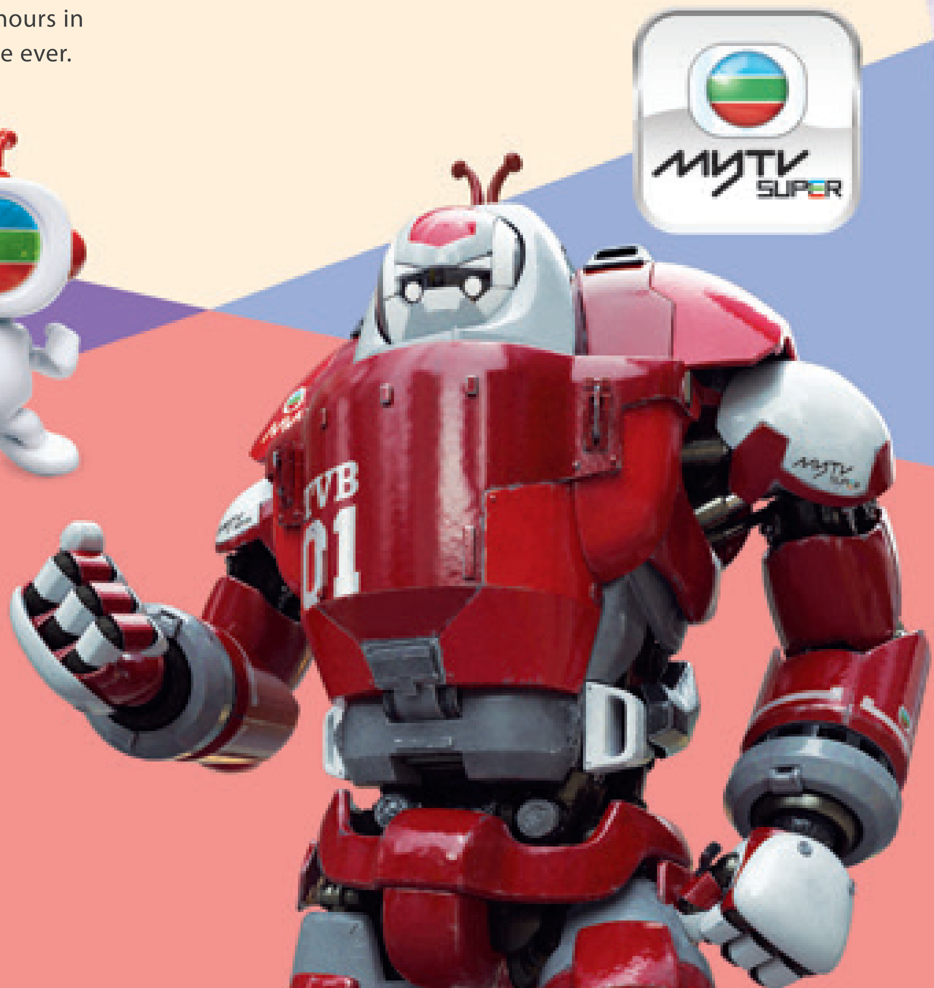
The rapid uptake in subscribers is testament to the highly effective hard bundle arrangement the Company successfully contracted with Hong Kong Broadband and Hutchison Telecommunications. The smooth migration of free tier-users from myTV mobile service to myTV SUPER also contributed to the service's success.

myTV SUPER was built on well-tested platform architecture, cutting-edge video server technology, and a sophisticated content distribution network that will become Hong Kong's biggest dedicated Internet video delivery platform by the end of 2017. Its successful roll-out was also due to TVB's ability to leverage its own television channels in marketing the service.

In addition to launching myTV SUPER, efforts were also made during the year to enhance TVB's existing news and finance apps as well as its TV interactive app, TVB Fun.

The upfront investment in capital and operations required to launch myTV SUPER has resulted in a net start-up costs of approximately HK$44 million in 2016. We view the loss incurred as minimal compared to the results achieved.

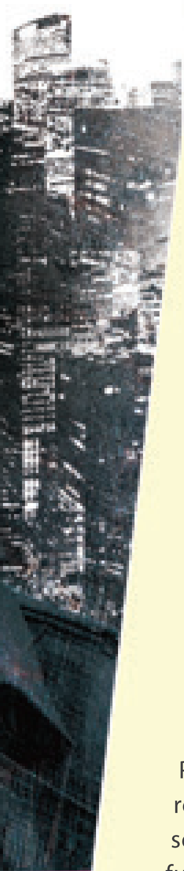
Scan to enjoy myTV SUPER



myTV SUPER All Star Summer

Line Walker


Singers of The Voice Entertainment Group



OTHER HONG KONG OPERATIONS

INVESTMENTS IN MOVIE BUSINESSES

SHAW BROTHERS HOLDINGS

TVB has partnered with China Media Capital ("CMC") to take up a 29.94% equity interest in Shaw Brothers Holdings (stock code: 00953), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and is principally engaged in, inter-alia, movie and entertainment-related businesses. Several new movie titles are being produced under this platform.

FLAGSHIP ENTERTAINMENT GROUP

Together with CMC, TVB has co-invested in Flagship Entertainment Group with an effective 5.1% interest. Launched in March 2016, Flagship Entertainment Group is a Hong Kong-based movie powerhouse with Warner Brothers Entertainment and CMC among its shareholders. The company is preparing several new movie titles.

SHAW BROTHERS PICTURES

Partnered with other film companies, Shaw Brothers Pictures, a wholly-owned subsidiary of the Company, released *Line Walker*, a spin-off from a hit TVB drama serial, in August 2016. In future, TVB will undertake further movie production under the Shaw Brothers Holdings platform.

MUSIC ENTERTAINMENT

In 2016, the Voice Entertainment Group Limited, a wholly-owned subsidiary of the Company, expanded its operation to include royalty collection in Malaysia and digital licensing in Singapore. The Group engages in artistes' sound recordings, music productions, music copyrights management, music publishing, and artistes' management.

Although the Group's catalogue mainly comprises Cantonese sound recordings, it has nonetheless attracted much interest in Mainland China; hence, the Group will commence digital licensing to China's largest digital music platform by early 2017.

PUBLICATION

Magazines have been the hardest-hit media as a result of prolonged declines in retail sales. Advertising revenue for the sector was estimated to have dropped 30% to 40% in Hong Kong.

The Group was able to maintain the revenue by expanding services to include event production and other activities. Higher direct costs have led to a decline in profit in 2016, but stringent measures were implemented to control costs.

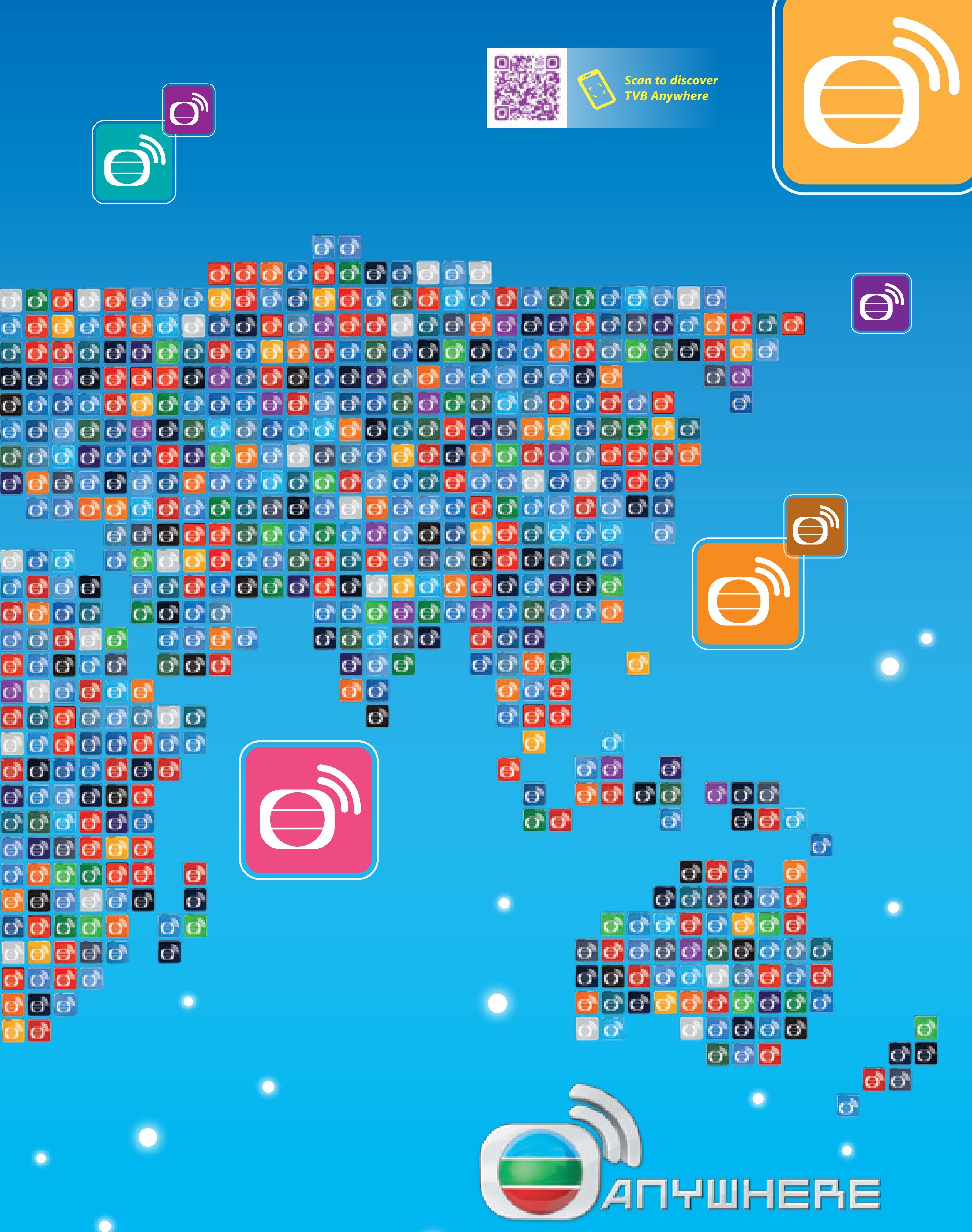
HONG KONG PAY TV PLATFORM

On 10 January 2017, TVB Network Vision informed the Government of the HKSAR and the Communications Authority of its decision to surrender its domestic pay TV programme service licence. The decision reflected the problems of rampant online piracy, a proliferation of illegal OTT services in recent years and Hong Kong's economic downturn.

TVB Network Vision subscribers are being migrated to myTV SUPER.

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS


Scan to discover
TVB Anywhere
ANYWHERE

TVB Star Awards Malaysia 2016


Hong Kong International Film & TV Market 2016

TVB Anywhere Promotion in Canada

StarHub TVB Awards 2016

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution business, comprising the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, accounted for 21% of the Group's revenue.

Uncertain economic prospects and online piracy seriously affected the business environment in our core markets including Malaysia and Singapore. Our licensees MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") and StarHub Cable Vision Ltd. ("StarHub") both recorded a drop in subscription revenue; as a result, they have become more cautious in content acquisition spending.

In Malaysia, the programme supply agreement with MEASAT on its Astro platforms has been renewed for four years till 2020. The new contract enables us to compile a TVB channel package named "Jade Pack" to cater to the Malaysian market. In addition, TVB would develop a new media platform as a convenient means to attract more subscribers and business opportunities. To strengthen our position in the Singapore market, additional resources have been deployed in marketing our channels and promoting locally produced contents. The audience and advertisers in our major markets have responded favourably to several local productions. As this content strategy proves to be effective, more local programmes will be produced in the coming year.

The rampant influx of illegal TV boxes has also placed a strain on the licensing business in non-traditional markets like Vietnam. Hoping to ride on the rapid economic growth of many Indochina countries, we have been proactively developing new businesses with leading operators in Vietnam, Cambodia, and Myanmar. In Vietnam, we significantly enhanced TVB's exposure and advertising revenue in the fast-growing video-on-demand ("VOD") market through a partnership with Saigontourist Cable Television Company Limited. We have also been in discussion with other local new media operators, including Vietnam's largest local telecom company, to carry our programmes on their platforms. In Cambodia, we have a fixed timeslot on PNN, a local terrestrial free TV broadcaster, and plan to partner with another new media operator; this will further increase the exposure of TVB programmes in the market.

Thanks to the booming new media business, our China operation recorded a revenue increase of around 29% from HK$271 million to HK$351 million during the year. Our licensing business in Mainland China is carried under a joint venture company 上海翡翠東方傳播有限公司 ("TVBC"). The stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television in the PRC over imported programme titles, combined with a delay in improving our licensing arrangement in the Guangdong Province, have restricted TVBC's ability to maximise revenue from related sectors. However, the settlement of short-term problems with a main online operator during the year has cleared the path for TVB programmes' entry into this platform and brought in additional revenue for TVBC during the year. With the affluent flow of hot money into the new media sector, TVBC will spend more resources on exploring new media business in the coming year.


Wellness On The Go 4


TVB Anywhere Promotion in London

REVIEW OF OPERATIONS

OVERSEAS OPERATIONS – OTT AND PAY TV

OTT

To cater to the audience's changing viewing patterns, an upgraded OTT service TVB Anywhere was launched in September 2016. It provides TV channels and VODs in multiple languages to serve audiences around the world, except a small number of territories in which the service has been geo-blocked due to contractual constraints. Built on a highly integrated content platform, the service allows viewers to select and watch a wide range of TVB and acquired programmes anywhere, anytime.

TVB Anywhere adopts a low-cost operation model by delivering programmes over the Internet instead of via the more costly conventional satellite, cable or terrestrial television networks; it uses TVB's voluminous archived and current productions as the backbone of its content offering, thereby reducing content acquisition fees. As a result, TVB Anywhere could be offered at a low service fee, which would hopefully help combat the illicit OTT services in the market.

TVB Anywhere's major revenue sources include basic service fees, additional subscription fees for premium channels or VODs, and advertising income. Viewers can subscribe through local distributors in various countries and online via the official website: www.tvbanywhere.com. It is our plan to replace the conventional pay TV service through satellite or cable transmission in Europe, Australia and North America (USA) with this OTT service in the overseas markets as far as practicable.

Europe

The conventional satellite pay TV service has been completely replaced with our OTT service TVB Anywhere. Both subscriber numbers and financial performance in the European markets have continued to improve over the past year following the introduction of TVB Anywhere.

AUSTRALIA

We have been actively introducing multi-media elements into different segments of our business, including traditional television, OTT service, magazine, events organisation and sponsorships as well as mobile apps; these have boosted advertising revenue in 2016 despite the economic downturn. The upgraded OTT service TVB Anywhere was launched in the Australian market in September 2016 and this has led to a sharp increase in subscriber numbers, which will further improve advertising income.

NORTH AMERICA (USA)

Having released TVB content on various digital platforms in the US market since 2015, we began seeing encouraging results in both advertising revenue and viewership over the past year.

Following a pronounced judgment by a US court against a notorious illegal OTT syndication last year, requesting local Internet service providers to disconnect illegal signals has become a priority. Continuous anti-piracy actions have been taken in conjunction with local business partners against other illegal TV box distributors and retailers.

CHANNEL OPERATIONS

Total revenue dropped by 14% to HK$90 million during the year due to an economic downturn and fierce competition in the region. To increase viewership and attract advertisers' spending, we devoted more resources and worked with our clients in Malaysia and Singapore to produce a series of local programmes. Various shows including *Wellness On The Go 4 – Going Green and Sustainable Living, Auspicious Festivals, TVB Star Awards Malaysia 2016, Eating well with Madam Wong In Singapore,* and *Neighborhood Gourmet 3* were well received by the audience.

Going forward, we will continue to locally produce more programmes in the two markets. Scheduled for release in Singapore in the first quarter of 2017 was *Chef Minor – Singapore*, which was produced with the support of StarHub and, more importantly, advertisers sponsoring the programme.

Satellite migration for the TVB8 and Xing He channels has been completed, resulting in significant cost savings. We have re-invested such savings to further expand our viewership, particularly among the younger generation, in different new media platforms and in Mainland China.

COMBATING PIRACY

Governments and industries around the world have been cooperating more closely to crack down on illegal set-top TV boxes.

The UK Government convened an enforcement seminar in May 2016 to collect industry feedback on how legislation could be improved to tackle the problem. In September 2016, representatives from the international law enforcement community and the industries held two forums in London to explore effective measures against illicit TV boxes.

Similar actions are being taken in the US, including the formation of an industry working group comprising major content providers against illegal streaming on IPTV, including set-top boxes. Following its first successful civil suit against "TV Pad" in the United States, TVB has started a new suit against the operator of another TV box "H.TV" for copyright infringement.

In June 2016, a Canadian Federal Court granted an interlocutory injunction order against several retailers of illegal set-top boxes following a suit jointly filed by a number of major local pay TV operators. TVB has issued warning letters to the retailers selling illicit set-top boxes carrying TVB content and will consider taking further legal actions against those who do not halt such activities.

Efforts to lobby the Australian government to strengthen its copyright legislation against illegal piracy will resume when the new administration is ready to work on the matter.

In Mainland China, the online piracy problem has abated to some extent following successful government crackdown on illegal IPTV streaming unlicensed foreign programmes including TVB's.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As the leading broadcaster in Hong Kong, TVB is committed to upholding sustainability in our environmental, social and corporate governance. In addition to complying with relevant laws and regulations, the Company endeavours to integrate environmental protection measures and community engagement into our business operation.

THE ENVIRONMENT

Eco-friendly measures, such as reducing energy and water consumption, recycling more, and disposing of waste more carefully, have been incorporated into our operation to alleviate the business's impact on the environment.

Enhancing energy efficiency continues to be our biggest challenge as lighting and air-conditioning in studios consume a lot of electricity during production and broadcasting. We measure our environmental impact in terms of resources consumption against total broadcasting and production hours for the year. In 2016, total local broadcasting hours were more than 128,000 and production hours exceeded 22,000. With the launch of the new OTT platform, myTV SUPER, in April 2016, our production and broadcasting hours have drastically increased, leading to a corresponding upsurge in the consumption of major resources, namely electricity and wood.

Nevertheless, we continue to implement environmental-friendly measures. In recognition of TVB's contributions, the Environmental Campaign Committee certified the Company as a "Hong Kong Green Organisation". TVB also won a Certificate of Merit in CLP's 2016 Green Plus Award and obtained rebates from CLP's Automated Demand Response Programme for its energy-saving efforts.

KPI FOR 2016

	Type	Quantity	KPI
Waste Disposal	Waste wood (metric ton)	32.3	0.00145*
	Waste props, mainly wood (metric ton)	1,324	0.05977*
	General refuse (metric ton)	900.2	0.0069$^{\triangle}$
Resources Consumption	Petrol (litre)	198,975	8.98*
	Motor vehicle diesel (litre)	104,725	4.73*
	Wood material (kilogramme)	622,722	28.12*
	Electricity (kWhr)	49,383,865	383.51$^{\triangle}$
	Water (cubic metre)	109,492	0.8503$^{\triangle}$

* based on local production hours in 2016 of 22,148 hours

$^{\triangle}$ based on broadcasting hours in 2016 of 128,768 hours

ADVOCATES

An Energy Management System (EMS) for Central Control and Monitoring System (CCMS) has been installed to ensure an efficient use of energy in TVB City.

The Company purchases from suppliers who provide wood materials harvested from sustainably managed forests as certified by the Programme for the Endorsement of Forest Certification (PEFC). We also use low volatile-organic-compounds (VOC) paint for fitting-out and project/maintenance in TVB City to reduce air pollution and hire a licensed waste collector to dispose of used paint cans.

We have embarked on a vehicle replacement scheme and around 51.9% of the Company's cars are compliant with the Euro V emission standard. The scheme will continue in the coming years. To further reduce air pollution, our staff is encouraged to recharge their electric cars with the two electric vehicle charging stations that began operation in February 2016 in TVB City's carpark.

Solar films were installed on windows along the corridors of three floors of buildings in TVB City. We continued to replace traditional fluorescent tubes with LED lightings around the workplace and installed high-energy-efficient water-cooled chiller units with an auto-tube-cleaning system in 2016.

PLANS FOR 2017

The Company is studying ways to switch to the use of low VOC paint in all outdoor shooting sites.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

The Company's greatest asset is our employees who are essential to the continued success of the business. TVB strives to attract and retain talents by providing training and encouraging them to develop their full potential. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy work environment.

EMPLOYMENT

As of 31 December 2016, the Group had a total of 4,249 full time staffers and artistes, of which 4,117 were employed in Hong Kong. About 3% of the Company's staff was employed by our overseas subsidiaries. They were paid on scales and systems relevant to the respective localities and legislations.

Our employees received discretionary bonuses roughly in the amount of their basic monthly salaries in 2016 to serve as incentive for good performance and hard work.

TVB certified as Hong Kong Green Organisation

GREENPLUS Award Programme

Power Your Love Programme


Dragon Boat Racing

Attained "Good IAQ Class"

Long Service & Outstanding Employee
Grand Awards Presentation Ceremony 2016


Bowling Competition


TVB Giant Basin Feast 2016

With regards to terms of employment, the Company complies with the existing laws and industry regulations. Full-time employees are entitled to the Mandatory Provident Fund scheme, seven days of matrimonial leave, 10 weeks of maternity leave and three days of paternity leave on full basic salary, a maximum of 120 days fully paid sick leave, and group medical and life insurance coverage.

To encourage our employees to lead a healthy lifestyle, the Benefit and Staff Relations Section of the Company organised a total of 24 sports and recreational/leisure activities throughout the year, including basketball, soccer, dragon-boat racing, day camps, eco-tours, and exhibitions.

In recognition of the loyalty of our staff, employees are entitled to the Long Service Award for every decade of service and receive gold mementos as souvenirs.

COMMUNICATION

The Company maintains an open dialogue with its staff to understand their needs and cultivate a sense of belonging. The monthly newsletter and intranet offer effective channels for staff to share their views and understand the Company's policy. An ombudsman scheme has been set up to listen to staff suggestions and handle their grievances. Employees can also use the Company's whistleblowing system to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

HEALTH AND SAFETY

A safety committee has been established to identify and review measures to improve occupational health and safety of all staff. Annual safety audit and monthly safety inspections were conducted with satisfactory results. Also, 13 training courses on workplace risk assessment and occupational or personal safety were organised during the year. Information on occupational safety was published in the Company's newsletter from time to time to raise safety awareness among staff.

To improve air quality in the workplace, the second phase of installation of electronic air-purifiers was completed in 2016. The Company launched a massive air-duct cleaning exercise covering 16 studios (including all variety and drama studios) around TVB City to improve Indoor Air Quality (IAQ); the exercise has been completed in early 2017. So far, we have achieved very encouraging results with a total of 159 sampling points within TVB City attaining the "good" air quality classification under the Environmental Protection Department's IAQ Certification Scheme for Offices and Public Places. Also, the Company proactively uses low volatile-organic-compounds paint for fitting-out and project/maintenance around TVB City to reduce employees' exposure to pollutants.

During the year, 95 accidents or incidents occurred, resulting in 86 injuries amongst employees. Investigations were carried out to identify the causes of the accidents and immediate arrangements were put in place to prevent future recurrence.

The employment of children is at times necessary due to production requirements. The Company complies with the Employment of Children Regulations under the Employment Ordinance and obtains permission for the employment of child artistes.

TRAINING AND RECOGNITION

Employee development continues to be a key priority for us. Seminars and courses on subjects of technical interest, management skills, and other related studies are regularly organised either in-house or with vocational institutions to help our staff develop their skill sets.

In 2016, 145 training classes totalling 5,970 hours were held. In addition, the Company sponsored staffers who took up relevant training programmes on their own initiative.

Basketball Competition

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, 12 employees were recognised for their superb performance under the Outstanding Employee Award Scheme. They received monetary prizes and paid leave.

A two-year Executive Trainee Programme was launched in 2014 to nurture competent TV professionals for the Company. Three trainees were recruited in 2016 and rotated around various departments, paving their way for managerial positions in the future.

ANTI-CORRUPTION

As a public body, TVB is governed by the Prevention of Bribery Ordinance. The Company has promulgated purchasing policies and procedures prohibiting employees from soliciting any advantage from contractors, suppliers or people connected with our business. Circulars are issued periodically to remind staff and suppliers of our anti-corruption policy, particularly before festive holidays.

PRODUCT RESPONSIBILITY

As a domestic free TV programme service licensee, TVB is required to comply with the Broadcasting Ordinance, the Telecommunications Ordinance, Licence Conditions, and Codes of Practice relating to Programme, Advertising and Technical Standards. The Company's Standards & Practices Department acts as a gatekeeper to ensure that our programme services comply with the relevant statutory requirements. In 2016, 11 complaints deliberated by the Communications Authority ("CA") were substantiated; five of them concerned breaches of the Code of Practice on indirect advertising or product sponsorship. The imposition of overly stringent regulations hinders the development and growth of the local television industry. In August 2016, the Company filed an application for judicial review against the CA's ruling on indirect advertising in the programme *TV Awards Presentation 2015*.

PRIVACY

The Company recognises the importance of privacy and will not in any event disclose stakeholders' information without their consent, unless required to do so by law. There were no incidents and substantiated complaints concerning breaches of customer privacy or losses of customer data in 2016.

COMMUNITY INVESTMENT

We are committed to serving the Hong Kong community through outreach services and activities, including the use of our programme resources and pool of artistes.

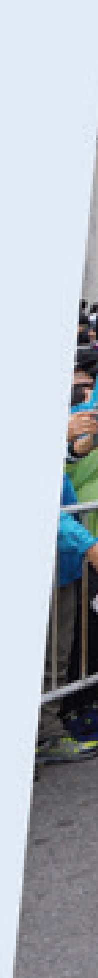
PROGRAMMES ON TOPICAL/SOCIAL/ CIVIC RESPONSIBILITY ISSUES AND FUND RAISING

TVB promotes positive and caring messages on topical, social and civic responsibility issues through its programmes. In 2016, 27 such programmes were produced/telecast. For example, *Happy Old Buddies* emphasised the need to care for the elderly; *Creative • Hong Kong* promoted arts and culture; *Environmental Protection Campaign Special: Treasure The Environment* highlighted the importance of caring for the Earth; *ICAC Investigators 2016* centred on corruption prevention; and *I Heart HK* fostered feelings of camaraderie among Hong Kongers.

One of the most noteworthy programmes was *One Minute, One Emotion*, a short inspirational film project jointly launched with Lee Hysan Foundation. It featured real-life stories produced by the Hong Kong Federation of Youth Groups Media 21. The station donated 50 minutes of free airtime to broadcast these films on Jade with re-runs on other digital channels.

During the year, 12 fund raising/charity programmes were telecast, including *Tung Wah Charity Show 2016*, *Gala Spectacular 2016*, *Yan Chai Charity Show 2016*, and *Community Chest Charity Show 2016*. The shows helped raise over HK$179 million for charity organisations in support of a wide range of worthy causes, including a record-breaking HK$108.9 million for the *Tung Wah Charity Show 2016*. Cumulated funds raised over the years have exceeded HK$5 billion.

As a licensing condition, the Company provides free airtime to broadcast government publicity messages, also known as Announcements in the Public Interests (API). In 2016, a total of 730 hours of APIs were broadcast on the five free TV channels.



Public Viewing Panel

2015/2016 Hong Kong and Kowloon Walk for Millions

"Say Yes to Organ Donation" promotional campaign


Blood Donation

Charity Sale of Cookies


Life Buddies Mentoring Scheme

Life Buddies Pledging Ceremony

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

We maintain effective communication with our 6.49 million viewers – our most important stakeholders – through various channels. In 2016, a total of 42,832 enquiries, 4,873 suggestions and comments, 840 commendations, and 96 complaints were received through our audience hotline and email. Our programme hotline, which provided pre-recorded information on Jade and Pearl's prime time programme schedules, received 19,010 calls from viewers during the year.

In addition, two annual gatherings were organised for our Public Viewing Panel to gauge their opinions on various programmes. The Panel has about 1,700 members from all walks of life.

COMMUNITY ENGAGEMENT

We are committed to serving the community and the underprivileged. In 2016, we organised a total of 39 community activities. These included 11 activities to help the elderly, particularly during festive seasons such as the Chinese New Year, the Winter Solstice, and the Mid-Autumn festival, as well as seven activities to care for the sick and disabled, including visits to the Children's Cancer Foundation, Queen Mary Hospital, and Hong Chi Association. A total of 210 employees gave blood during the year.

The Company was awarded the "15 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service in recognition of our continuous efforts in caring for the community, employees and the environment.

COLLABORATIONS

We have been working closely with the Health Department to promote the Organ Donation Campaign, urging the public to register as organ donors through various TV programmes such as *Scoop*, *Pleasure & Leisure*, and *On The Record*.

The annual Charity Sale of Cookies, co-organised with a local charity and a bakery, raised over HK$1 million in 2016. The event has raised more than HK$17 million throughout the years.

TVB also took part in the Life Buddies Mentoring Scheme launched by the Commission on Poverty and organised four mentoring and job-tasting activities for students from a participating secondary school during the year. The youth-mentoring scheme aims to help aspiring students navigate their careers and develop a vision for their future.

Since 1979, the Company has been providing scholarships to outstanding university students attending courses in journalism, communication, movie, and television. In 2016, nine students from four universities received grants totalling HK$145,000. The Company also provided a HK$10,000 scholarship to the Hong Kong School Music and Speech Association in support of music talents.

The Company continues to partner with universities to organise internship programmes that allow promising students to gain exposure and practical experience in TV production and broadcasting. In 2016, 16 interns from nine universities were placed at various departments; seven of them worked at the News & Information Services Division.

The Company periodically receives visitors to TVB City to allow youngsters to learn more about TV production. During the year, 200 secondary school students and 20 teachers visited TVB City through an event jointly organised with the Journalism Education Foundation.

LAUNCH OF THE TVB VOLUNTEER TEAM

A TVB volunteer team was set up in 2016 to ensure sufficient manpower for the Company's community outreach and charitable activities. With about 70 volunteers, the team provides support to the existing TVB Caring Foundation, TVB, Staff & Artistes Fund for Charities ("Fund"), and the Life Buddies Mentoring Scheme. During the year, the team participated in 10 activities including family visits and TVB City tours for the elderly and the underprivileged, delivering more than 860 hours of volunteer services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHARITIES

The Fund was established in 2013 to provide aid to victims of calamities, the poor, and the elderly. Working with non-governmental organisations, the Social Welfare Department, and the Labour Department, the Fund has allocated a total of HK$6,810,706 to help those in need over the years. In 2016, subsidies totalling HK$1,507,600 were granted to 119 cases. In addition, HK$651,617 was donated to sponsor seven charitable activities, benefitting 7,164 people.

A charity event was held in celebration of 1,000 issues of our official magazine TVB Weekly, successfully raising HK$120,540 for the End Child Sexual Abuse Foundation.

NURTURING NEW TALENTS FOR THE INDUSTRY

As part of our commitment to nurturing new talents for the broadcasting industry, the Company organised the TVB Inter-Collegiate Documentary Competition for the third consecutive year. It gave tertiary students of relevant disciplines an opportunity to practise television production in accordance with industry standards. In 2016, eight universities and colleges participated in this competition.

In addition, a Putonghua-Dubbing Artiste Training Class was organised for 12 candidates selected from an open recruitment. Half of them joined the Company upon completing the 10-week course, which provided comprehensive training on dubbing procedures and techniques.

PLANS FOR 2017

To further enhance its engagement efforts, the Company will continue to contribute to the community by using our programme resources and pool of artistes. Employees will also be encouraged to take a more active role as volunteers.

The Winter Solstice Food Donation Project

A charity event
celebrating 1,000 issues of TVB Weekly

Launch of the TVB Volunteer Team

2016TVB大專紀實短片比賽
TVB INTER-COLLEGIATE DOCUMENTARY COMPETITION

TVB Inter-Collegiate Documentary Competition

FINANCIAL REVIEW

OVERVIEW

CONTINUING OPERATIONS

For the year ended 31 December 2016, 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.

The Group recorded a revenue under continuing operations of HK$4,210 million (2015: HK$4,455 million), a decrease of 5%. Cost of sales increased from HK$2,009 million to HK$2,299 million, an increase of 14%. As a result, gross profit decreased from HK$2,446 million to HK$1,911 million, a decrease of 22%. Gross profit percentage stood at 45% (2015: 55%).

Income from Hong Kong TV broadcasting, comprising mainly advertising revenue from the terrestrial TV channels, decreased because of the weak advertising market in Hong Kong prevailing throughout the year. However, licencing revenue from Malaysia and Singapore, remained steady. After the final settlement of the dispute with a major online operator in Mainland China, a licence revenue of HK$126 million was agreed and booked during the year.

Cost of sales increased from HK$2,009 million to HK$2,299 million, an increase of 14%. Included in the cost of sales were the cost of programmes and film rights amounted to HK$1,759 million (2015: HK$1,515 million), an increase of 16% which was mainly contributed by the licence rights and the production costs for the broadcast of the Rio 2016 Olympic Games, which was a non-recurring event, and the extended broadcast of drama on Jade into the weekends' prime time since May 2015.

Selling, distribution and transmission costs amounted to HK$639 million (2015: HK$577 million), an increase of 11%. The increase was attributed to an increase in costs due to the launch of myTV SUPER service in April 2016.

General and administrative expenses amounted to HK$949 million (2015: HK$853 million), an increase of 11% which was mainly due to the launch of myTV SUPER service during the year and an additional provision for impairment loss on trade receivables.

In 2016 the Group acquired further approximately 9.99% interest in TVB Pay Vision Holdings Limited ("TVBPVH"), the holding company of TVB Network Vision, to hold a total interest of approximately 99.99%. The reason for the purchase was to enable the Group to use this vehicle as a subsidiary to further its new business. A settlement loss of HK$70 million arising from this acquisition was included in the other losses. In addition to the settlement loss, the Group incurred exchange losses (mainly related to the re-translation of various foreign currencies such as Renminbi and Malaysian Ringgit) and a write-off of a movie investment totalling HK$56 million.

In August 2016, the Group completed the disposal of the property in Neihu, Taipei at a consideration of NT$4,000 million (approximately HK$971 million). The Group realised a disposal gain of HK$280 million before provision for deferred tax liabilities in relation to the withholding tax on the distributable profits attributable to the disposal in the sum of approximately HK$56 million.

Adjustment of an over-provision of impairment loss on amounts due from TVB Network Vision of HK$71 million was taken up during the year following a review of the fair value of TVBPVH when it became a subsidiary from an associate at the date of acquisition of the additional interest.

Profit before income tax for the year amounted to HK$553 million (2015: HK$126 million), an increase of 337% over 2015.

Due to a smaller assessable profit from Hong Kong TV broadcasting this year, a lower income tax of HK$105 million (2015: HK$144 million), representing a decrease of 27%, was booked. Whilst the profits tax rate for Hong Kong remains at 16.5%, the Group's major subsidiaries operate in the countries whose effective rates vary from 0% to 40%.

Overall, the Group's profit attributable to equity holders for continuing operations for the year amounted to HK$429 million (2015: loss of HK$4 million).

DISCONTINUED OPERATIONS

On 10 March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee

Group" for a cash consideration of NT$4,343 million (approximately HK$1,021 million). A gain on disposal of HK$78 million was taken up in the year. In view of a plan to repatriate the proceeds to Hong Kong in the form of dividend upon completion, an additional deferred tax provision of HK$7 million had been made in 2016. Upon this disposal, the Group does not have any further interest in the Liann Yee Group. Details of this disposal were set out in Note 31.

EXCEPTIONAL ITEMS

During the year, the Group recorded a net exceptional gain of HK$295 million which comprised of (i) a net gain on the disposal of 47% interest in Liann Yee Group amounting to HK$71 million as detailed in the "discontinued operations" section above; and (ii) a net gain after tax from the disposal of Neihu property in Taiwan of HK$224 million. In 2015, the Group recorded a net exceptional gain of HK$410 million which comprised of (i) a net gain of HK$1,232 million (after deduction of related taxes of HK$164 million) from the disposal of 53% interest in Liann Yee Group; (ii) an impairment loss on loan to and amounts due from TVB Network Vision of HK$695 million; (iii) an impairment loss on a property of HK$88 million; and (iv) professional fees totalling HK$39 million incurred in relation to an aborted corporate transaction. In comparing the net exceptional gains for the two years, the smaller net exceptional gain of HK$115 million in 2016 had contributed to the overall decrease in profit attributable to equity holders.

EARNINGS PER SHARE

Overall, the Group's profit attributable to equity holders for continuing operations and discontinued operations for the year amounted to HK$500 million (2015: HK$1,331 million), a decrease of 62%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK$1.14 (2015: HK$3.04).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting which comprised advertising revenue from the Group's free TV channels and the pay TV channels declined from HK$3,105 million to HK$2,707 million, a decrease of 13%, due to the sluggish advertising market. The above decrease in revenue of HK$398 million and the additional costs for the broadcast of the Rio 2016 Olympic Games and extended broadcast of drama on Jade into the weekends mainly explained the change from the segment profit before non-recurring items of HK$551 million to a segment loss of HK$71 million.

Revenue from Hong Kong digital new media which comprised subscription income from myTV SUPER and advertising revenue from mobile devices, website portals and OTT platform, increased from HK$170 million to HK$230 million, an increase of 35%, due to the launch of myTV SUPER in April. This segment changed from a segment profit of HK$41 million to a segment loss of HK$29 million because of the net start-up costs of myTV SUPER.

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, increased from HK$951 million to HK$1,019 million, an increase of 7%. The increase in revenue was mainly attributable to the recoupment of licensing income of HK$126 million after settlement of the dispute with a major online operator in Mainland China which was partly offset by the lower licence fee receivable from MEASAT in Malaysia, the depreciation of the Malaysian Ringgit against Hong Kong dollars, and the lower telecast licensing income in Mainland China. The licensing income from Singapore remained relatively steady. Higher programme costs were incurred during the year. As a result, this segment recorded a profit of HK$444 million (2015: HK$410 million), an increase of 8%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and Europe, and TVB Anywhere introduced in September 2016, decreased from HK$186 million to HK$169 million, a decrease of 9%. The decrease in revenue was mainly due to the adverse impact on subscription revenue caused by the proliferation of pirated TV contents overseas. Start-up costs for the OTT platform were incurred, but such unfavourable variances were partly offset by some savings in programme costs. As a result, this segment recorded a loss of HK$40 million (2015: a loss of HK$31 million).

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK$105 million to HK$90 million, a decrease of 14%. The segmental profit decreased from HK$17 million to HK$2 million, a decrease of 87%, which was mainly caused by lower advertising revenue from Malaysia market resulting from the stagnant economy.

Revenue from other activities which comprised revenue from magazine publishing, production of musical works and movie recorded an increase from HK$129 million to HK$191 million, an increase of 48%. This segment recorded a profit before a non-recuring item of HK$28 million (2015: HK$11 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2016. Total equity stood at HK$7,230 million (2015: HK$7,836 million), a decrease of 8%. There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

During the year, the Group had fully repaid its bank loans. In October 2016, the Group issued US$500 million 3.625% five-year notes due 2021 ("Notes") which are guaranteed by the Company. The Notes are listed on the Stock Exchange. The Note proceeds will be deployed to fund the expansion of digital new media business and other capital expenditures, to make strategic investments and for general corporate purposes. At 31 December 2016, the gearing ratio, expressed as a ratio of gross debts to total equity, was 53.1% (2015: 3.0%).

At 31 December 2016, the Group had unpledged bank and cash balances of HK$6,198 million (2015: HK$2,817 million), an increase of 120%, and certificates of deposit (as held-to-maturity financial assets under Current Assets) amounting to HK$775 million (2015: Nil). The increases were mainly due to the funds received from the issuance of the Notes and the receipt of sale proceeds from disposals of 47% interest in Liann Yee Group and the property in Neihu, Taipei. Out of the unpledged bank and cash balances, 11% were in Hong Kong dollars, 65% in US dollars, 19% in New Taiwan dollars and 5% in Renminbi. About 29% of the unpledged bank and cash balances (approximately HK$1,818 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations was placed as time deposits and certificates of deposit.

As at 31 December 2016, the Group had held-to-maturity financial assets (under Non-current Assets amounting to HK$524 million (2015: Nil) which comprises a portfolio of 18 fixed income securities issued by a number of issuers which are listed or unlisted in Hong Kong or overseas carrying fixed coupon rates ranging from 3.55% to 6.375% per annum and 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. The certificates of deposit ("CDs") amounting to HK$775 million as noted above comprised CDs issued by major banks with a coupon rate of 1.13% per annum. These CDs had matured on 23 January 2017.

During the year, the Group had invested in an associate holding a 29.94% interest in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in movie and entertainment related business.

Trade receivables from third parties amounted to HK$1,279 million (2015: HK$1,381 million) decreased by 7% over the last year end due to the decrease in advertising income from Hong Kong. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts. Due to the purchases of OTT set-top boxes for myTV SUPER service near the year end date, prepayments relating to such capital expenditure as at 31 December 2016 increased when compared with 31 December 2015.

Trade and other payables and accruals increased from HK$686 million to HK$921 million mainly due to the accrual of interest of Notes and provision for taxes in relation to the disposals of equity interest in Liann Yee Group and the Neihu property.

At 31 December 2016, the Group's net current assets amounted to HK$8,533 million (2015: HK$5,622 million), an increase of 52%. At 31 December 2016, the current ratio, expressed as the ratio of current assets to current liabilities, was 10.1 (2015: 8.8).

At 31 December 2016, bank deposits of HK$6 million (2015: HK$2 million) were pledged to secure banking facilities granted to certain subsidiaries of the Group.

At the year end, the Group had capital commitments totalling HK$300 million (2015: HK$166 million), an increase of 81% mainly to cater for the business needs of myTV SUPER and Hong Kong TV broadcasting business.

The Company announced that on 24 January 2017 an offer would be made to buy-back, subject to conditions, up to 138,000,000 shares, representing approximately 31.51% of the share capital of the Company, at the price of HK$30.50 per share. The offer, if accepted in full, will result in the Company paying approximately HK$4,209 million to the accepting shareholders. Subsequently, on 13 February 2017, the Company announced a revised offer that the maximum number of shares to be bought back under the offer will be reduced from 138,000,000 to 120,000,000, representing 27.40% of the share capital of the Company so that at least 25% of the shares will be held by the public at all times upon the close of the revised offer. The offer price was increased from HK$30.50 to HK$35.075 per share to maintain the same aggregate consideration for the offer as the Company originally proposed. As at the date of this report, the Offer has not yet closed.

FINANCIAL GUARANTEE

At 31 December 2016, there was guarantee given to a bank amounting to HK$8 million (2015: HK$7 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

The Group is also exposed to currency fluctuation on translation of the accounts of overseas subsidiaries, 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 year.

HUMAN RESOURCES

At the year end, the Group employed, including contract artistes and staff in overseas subsidiaries but excluding Directors and freelance workers, a total of 4,249 (2015: 4,221) full-time employees.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. About 3% of the Group's manpower was employed in overseas subsidiaries, and was paid on scales and systems relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as incentive for better performance. For the year, all qualified personnel received discretionary bonuses averaging one month's basic salaries. The Group did not operate any employee share option scheme in 2016.

From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives.

To sustain the long term steady supply of human resources for production, the Group has implemented a number of new initiatives during the year targeting training and 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 from the Company's fund. Such fixed income securities are selected from bonds issued by listed companies or state-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.

RATINGS HIGHLIGHTS

Scan to discover Top 3 Dramas

Jade

Top 10 Dramas Consolidated Ratings

1 *A Fist Within Four Walls*
30.7 TVRs

2 *Short End Of the Stick*
30.5 TVRs

3 *House Of Spirits*
29.7 TVRs

4 *Speed Of Life*
28.6 TVRs

5 *Love As A Predatory Affair*
28.1 TVRs

6 *K9 Cop*
27.2 TVRs

7 *Fashion War*
26.9 TVRs

8 *Two Steps From Heaven*
26.3 TVRs

9 *My Dangerous Mafia Retirement Plan*
25.8 TVRs

10 *Over Run Over*
25.4 TVRs

[1] Consolidated rating is defined as the summation of TV rating, online live rating, and online catch-up rating.

[2] TV rating ("TVR") includes "live" viewing from terrestrial TV and "live" & "as live" viewing from myTV SUPER's OTT Box. It represents the size of the audience expressed as a percentage of the total TV population. For 2016, the total TV population comprised 6,491,000 viewers, and therefore, 1 TVR represented 64,910 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.

Top 10 Non-Dramas *Consolidated Ratings*

1 **TV Awards Presentation 2016**
28.7 TVRs

2 **Miss Hong Kong Pageant 2016**
25.9 TVRs

3 **TVB 49th Anniversary Light Switching Ceremony**
25.0 TVRs

4 **TVB 49th Anniversary Gala**
24.5 TVRs

5 **I Heart HK**
23.8 TVRs

6 **Kansai Raider**
23.2 TVRs

7 **We Are Not Family Man**
22.7 TVRs

8 **Good Cheap Eats (IV)**
22.5 TVRs

9 **Do Did Eat**
21.7 TVRs

10 **The Making Of Peak To Pit**
21.6 TVRs

[3] Online live rating is defined as an aggregate live rating generated from live channel broadcasts via myTV (web and mobile app platforms) and myTV SUPER mobile app platform. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online live rating also represents 64,910 viewers, same as TV rating.

[4] Online catch-up rating is defined as an aggregate catch-up rating of myTV (web and mobile app platforms) and myTV SUPER (OTT box and mobile app platforms). Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,910 viewers, same as TV rating.

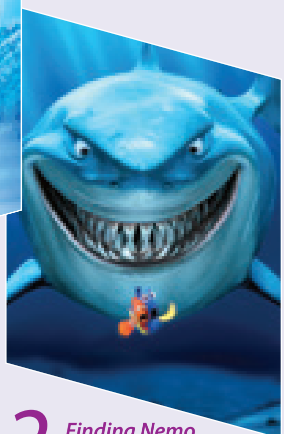
RATINGS HIGHLIGHTS

Pearl

Top 10 English Programmes TV Ratings

1 **Frozen**

7.6 TVRs

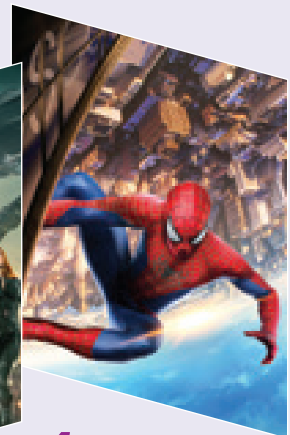


2 **Finding Nemo**

7.1 TVRs

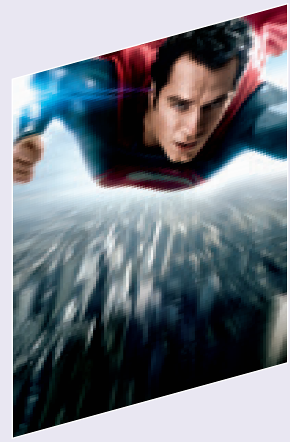
3 **Captain America: The Winter Soldier**

6.3 TVRs



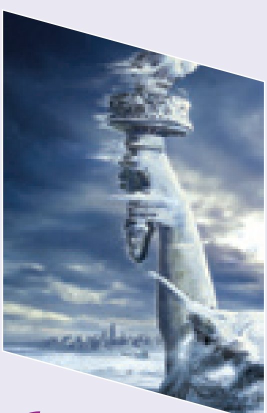
4 **The Amazing Spider-Man 2**

5.8 TVRs



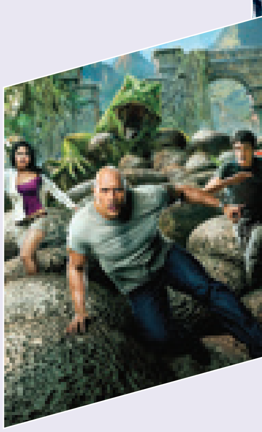
5 **Man of Steel**

5.7 TVRs



6 **The Day After Tomorrow**

5.6 TVRs



7 **Journey 2 The Mysterious Island**

5.5 TVRs

8 **The Amazing Spider-Man**

5.4 TVRs

9 **Avatar**

5.3 TVRs

10 **Independence Day**

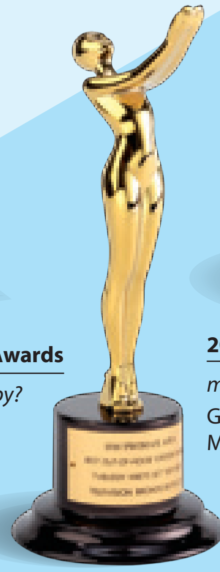
5.1 TVRs

COMMENDATIONS AND AWARDS

2016 RTDNA Edward R. Murrow Awards

Sunday Report: Youths, Are You Happy? South Korea: Chasing Chaebols/ Taiwan: The Plight Of Graduates

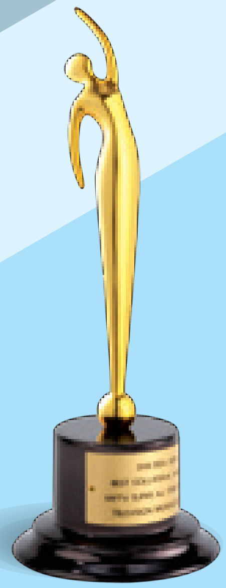
Regional Award in News Documentary category



2016 PromaxBDA Asia Awards

TVBuddy Meets Set Top Men

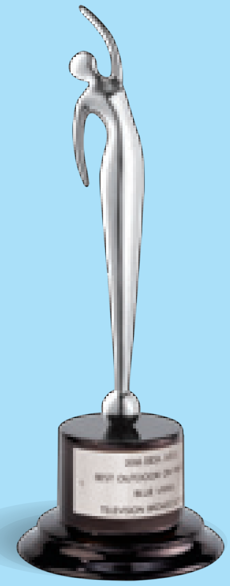
Gold Award in Best Out-Of-House Station Image category



2016 PromaxBDA Asia Awards

myTV SUPER All Star Summer

Gold Award in Best Collateral Material category



2016 PromaxBDA Asia Awards

Blue Veins

Silver Award in Best Outdoor or Print Ad category

2016 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

J.S.G. Awards Presentation 2014

Bronze Award in Set Design category

2016 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

TVB Lucky Hanging Calendar

Bronze Award in Art Direction & Design: 3-D Promotional or Sales Kit

21st Asian Television Awards 2016

Short End Of The Stick

Highly Commended in Best Comedy Programme category

2016 New York Festivals International Television & Film Awards

Miss Hong Kong Pageant 2015

Bronze World Medal in Best Production Design/ Art Direction category

2016 New York Festivals International Television & Film Awards

World's Great Parties

Finalist in Documentary/Information Programme: Travel & Tourism category

2016 New York Festivals International Television & Film Awards

Adventures to the Edge

Finalist in Promotion/Open & IDs: Green Promotion category

Scan to discover TVBuddy Meets Set Top Men


在地同行
跳躍飛騰
50
ANNIVERSARY

CORPORATE GOVERNANCE

DIRECTORS

Dr. Charles CHAN Kwok Keung
Chairman
Non-executive Director
Chairman of Executive Committee
Member of Remuneration Committee

LI Ruigang
Vice Chairman
Non-executive Director

Mark LEE Po On
Executive Director and
Group Chief Executive Officer
Member of Executive Committee
Member of Risk Committee

CHEONG Shin Keong
Executive Director and General Manager
Member of Executive Committee
Member of Risk Committee

Mona FONG
Non-executive Director

Anthony LEE Hsien Pin
Non-executive Director
Member of Audit Committee
Member of Nomination Committee

Dr. Charles CHAN Kwok Keung, aged 62, was appointed as a Non-executive Director of the Company on 1 April 2011. Dr. Chan serves as the Chairman of the Board and the chairman of the Executive Committee since January 2015 and as a member of the Remuneration Committee since February 2015. Dr. Chan has over 36 years of international corporate management experience in the construction and the property sectors, as well as in strategic investments. He resigned as the chairman and executive director of ITC Corporation Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 28 March 2017. Dr. Chan holds an Honorary Degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering. Dr. Chan is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

LI Ruigang, aged 47, was appointed as a Non-executive Director of the Company and the Vice Chairman of the Board on 17 October 2016. In addition, Mr. Li holds directorships in two subsidiaries of the Company. Mr. Li is the Founding Chairman of CMC Capital Partners and CMC Holdings (together with its affiliates, called "CMC"). Mr. Li has rich operational experience and in-depth insight into China's media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, Internet, mobile, and lifestyle. Mr. Li is a non-executive director of WPP, a world leader in marketing communications which is listed on the London Stock Exchange and the New York Stock Exchange. Mr. Li is a member of the Chinese Football Association's Executive Committee and a board member of Special Olympics. Mr. Li is also

CHEN Wen Chi
Non-executive Director
Member of Executive Committee

Thomas HUI To
Non-executive Director
Member of Executive Committee

Dr. Raymond OR Ching Fai SBS, JP
Independent Non-executive Director
Chairman of Remuneration Committee
Chairman of Nomination Committee
Chairman of Risk Committee
Member of Audit Committee

Dr. William LO Wing Yan JP
Independent Non-executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Member of Risk Committee

Professor Caroline WANG Chia-Ling
Independent Non-executive Director
Member of Audit Committee
Member of Risk Committee

Dr. Allan ZEMAN GBM, GBS, JP
Independent Non-executive Director
Member of Nomination Committee

the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd., which is listed on the Shanghai Stock Exchange. Mr. Li is the chairman and a non-executive director of Shaw Brothers Holdings Limited and is a non-executive director of IMAX China Holding, Inc., both of which are listed on the main board of the Stock Exchange. Mr. Li was formerly the chairman and president of Shanghai Media Group ("SMG") in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master Degree of Arts and a Bachelor Degree of Arts of Journalism from Fudan University. Mr. Li is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Mark LEE Po On, aged 61, joined the Company on 1 February 2007. Mr. Lee was appointed as the Group General Manager in September 2009 and was re-titled as the Group Chief Executive Officer in January 2015. He was appointed as Executive Director in March 2010. Mr. Lee also serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Lee is a non-executive director/independent director of Hanwell Holdings Limited and a non-executive director and independent director of Tat Seng Packing Group Limited, both of which are listed on the Singapore Stock Exchange Limited. Before joining TVB and during the period from late 1987 to January 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the

DIRECTORS

position of executive director and CEO of Asia Television Limited which was a former affiliate of the consortium. During the early period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. Mr. Lee is a fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

CHEONG Shin Keong, aged 60, was appointed as an Executive Director of the Company on 1 January 2015. Mr. Cheong serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Cheong joined the Company as Controller, Marketing & Sales in March 1989 and assumed the duties of General Manager in April 2004. He is responsible for marketing and sales function under Hong Kong TV broadcasting, as well as Hong Kong digital media business. Mr. Cheong has extensive experience in the advertising and marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He is a Fellow and Executive Committee Member of the Hong Kong Management Association as well as a Fellow and Hong Kong Regional Board President of the Chartered Institute of Marketing.

Mona FONG, aged 82, also known as Lee Mong Lan and wife of the late Sir Run Run Shaw, has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000, as Acting Managing Director and Managing Director on 31 May 2006 and 1 January 2009 respectively. Ms. Fong retired as Deputy Chairperson and Managing Director of the Company on 31 March 2012 and was re-designated as a Non-executive Director of the Company with effect from 1 April 2012. Ms. Fong is the chairperson and managing director of the Shaw group of companies. She is also the chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong.

Anthony LEE Hsien Pin, aged 59, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, a former Non-executive Director of the Company, between 3 September 2002 and 3 February 2012. Mr. Lee serves as a member of the Audit Committee and the Nomination Committee. Mr. Lee is a director of Hysan Development Company Limited, a company listed on the main board of the Stock Exchange, and a director of Lee Hysan Estate Company, Limited. He is also a director and a substantial shareholder of Australian-listed Beyond International Limited. Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

CHEN Wen Chi, aged 61, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Chen was appointed as Alternate Director to his wife, Ms. Cher Wang Hsiueh Hong, a former Non-executive Director of the Company, between 13 May 2011 and 3 February 2012. He serves as a member of the Executive Committee. Mr. Chen is a director of HTC Corp., as well as the chairman of VIA Technologies, Inc., Xander International Corp. and Chander Electronics Corp., all of which are listed on the Taiwan Stock Exchange Corporation. Mr. Chen also holds seats on several industry advisory bodies, and has been a member of the World Economic Forum for over ten years. He holds an MSEE degree from National Taiwan University and an MSCS degree from the California Institute of Technology. Mr. Chen is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Thomas HUI To, aged 44, was appointed as a Non-executive Director of the Company on 23 April 2015. He serves as a member of the Executive Committee. Mr. Hui is the president, chief strategy officer and an executive director of CMC Holdings Limited. Mr. Hui is a non-executive director of Shaw Brothers Holdings Limited, a company listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, a company listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor Degree of Science in Electrical Engineering from the University of Wisconsin, Madison. Mr. Hui is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Dr. Raymond OR Ching Fai SBS, JP, aged 67, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. He serves as the chairman of the Remuneration Committee, the Nomination Committee and the Risk Committee, as well as a member of the Audit Committee. Dr. Or is the chairman, an executive director and the chief executive officer of China Strategic Holdings Limited, a vice-chairman and an independent non-executive director of G-Resources Group Limited, the chairman and an independent non-executive director of Esprit Holdings Limited, and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited, and Regina Miracle International (Holdings) Limited, all of which are listed on the main board of the Stock Exchange. Dr. Or is also a non-executive director and deputy chairman of Aquis Entertainment Limited, a company listed on the Australian Securities Exchange. Dr. Or has rich experiences in insurance, banking and financial services industries. He was formerly the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited, the chairman of HSBC Insurance Limited, the chief executive and vice chairman of Hang Seng Bank Limited, and the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. He was also the chairman of the Hong Kong Association of Banks. Dr. Or graduated from the University of Hong Kong with a Bachelor's degree in Economics and Psychology. He was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellow from the University of Hong Kong in 2009, and is a Justice of the Peace.

Dr. William LO Wing Yan JP, aged 56, was appointed as an Independent Non-executive Director of the Company on 11 February 2015. Dr. Lo serves as the chairman of the Audit Committee, a member of the Remuneration Committee, the Nomination Committee and the Risk Committee. Dr. Lo is the vice chairman of Lovable International Holdings Limited which owns one of the largest toys and children products distribution networks in China. Dr. Lo serves as an independent non-executive director of CSI Properties Limited, SITC International Holdings Company Limited, Jingrui Holdings Limited and Ronshine China Holdings Limited, all of which are listed on the main board of the Stock Exchange. Dr. Lo is also an independent non-executive director of Nam Tai Property Inc. which is listed on the New York Stock Exchange. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He started his career in McKinsey & Company Inc. as a management consultant and held senior positions in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited and South China Media Group in the past. Dr. Lo graduated from Cambridge University with a M. Phil. Degree in Pharmacology and a Ph.D. Degree in Molecular Neuroscience. Dr. Lo is the founding governor of the Charles K. Kao Foundation for Alzheimer's Disease and the ISF Academy as well as the present chairman of Junior Achievement HK.

DIRECTORS

Professor Caroline WANG Chia-Ling, aged 64, was appointed as an Independent Non-executive Director of the Company on 1 April 2015. She serves as a member of the Audit Committee and the Risk Committee. Professor Wang is Professor of Business Practice at Business School of The Hong Kong University of Science and Technology. She was appointed as Adjunct Professor at HKUST in 2003 when she was the highest ranked Asian women executive at IBM globally. She had over 25 years of experiences with IBM in the US and across Asia Pacific. Among the various management roles she held while based in the US, Japan, and Greater China, Professor Wang had been Vice President of Marketing as well as Vice President of Business Transformation and Information Technology. Professor Wang was awarded a Master's Degree of Science from Harvard University and a Master's Degree of Arts from University of Wisconsin-Milwaukee.

Dr. Allan ZEMAN GBM, GBS, JP, aged 68, was appointed as Independent Non-executive Director of the Company on 1 April 2015 and as a member of the Nomination Committee in April 2016. Dr. Zeman is the chairman of Lan Kwai Fong group and the Lan Kwai Fong Association in Hong Kong. Dr. Zeman serves as an independent non-executive director and the vice chairman of Wynn Macau Limited, an independent non-executive director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited and Pacific Century Premium Developments Limited, all of which are listed on the main board of the Stock Exchange. Dr. Zeman has been very involved in government services as well as community activities. Dr. Zeman was the chairman of Hong Kong Ocean Park from July 2003 to June 2014, he is now the honorary advisor to the Park. Dr. Zeman was also a member of the board of West Kowloon Cultural District Authority from 2008 to 2016, he is now an honorary advisor of such Authority. He serves as the board of director of the Alibaba Entrepreneurs Fund, a board member of the Airport Authority of Hong Kong, the appointed member of the Economic Development Commission of Hong Kong, a member of the General Committee of the Hong Kong General Chamber of Commerce, a governor of the board of governors of Our Hong Kong Foundation and a representative of Hong Kong China to the APEC Business Advisory Council. Dr. Zeman is also a member of the board of governors of The Canadian Chamber of Commerce in Hong Kong and the vice patron of the Hong Kong Community Chest. Dr. Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. In 2012, he was awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and The Hong Kong University of Science and Technology. In 2001, Dr. Zeman was appointed a Justice of the Peace in Hong Kong. He was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2011.

SENIOR MANAGEMENT

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

Desmond CHAN Shu Hung, aged 49, was appointed as Deputy General Manager (Legal and International Operations) in July 2016. He joined TVB as General Counsel in May 2010 and was appointed as Assistant General Manager in December 2012. He is responsible for international operations and legal and regulatory matters of the Company. Mr. Chan holds directorships in a number of the subsidiaries of the Company. Mr. Chan has had extensive experience in television and telecommunications industries. He worked at Asia Television Limited from 1994 to 1999, and i-Cable Communications Limited from 1999 to 2010. Mr. Chan received Master of Laws degrees from City University of Hong Kong, Renmin University of China and University of Strathclyde of United Kingdom respectively. He is a solicitor of Hong Kong Special Administrative Region (not currently in private practice).

Felix TO Chi Hak, aged 53, was appointed as Deputy General Manager (Programme and Production) in July 2016 and is responsible for Programming and Production Divisions. Mr. To served in TVB Network Vision Limited, an associate of the Company, as CEO between 2012 and 2014, and joined TVB as Programme Controller and Assistant to Group CEO in January 2015, as Assistant General Manager in October 2015 and promoted to his current position in July 2016. Mr. To has had extensive experience in the media industry in Hong Kong, ranging from newspapers, publishing, advertising, radio, to pay and free TV. Before joining TVB, he was in various management positions overseeing production and programming in Asia Television Limited between 1996 and 1999; i-Cable Communications Limited between 2002 and 2005; and now TV between 2008 and 2012.

Adrian MAK Yau Kee, aged 56, joined TVB as CFO and Company Secretary in November 2004. Mr. Mak holds directorships in a number of the subsidiaries of the Company. Prior to his current positions, Mr. Mak was CFO of Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, between 2001 and 2003, and CFO of CyberCity Holdings Limited between 2000 and 2001. Between 1992 and 2000, Mr. Mak served as an associate director in the Corporate Finance Division at the Hong Kong Securities and Futures Commission. Between 1983 and 1992, Mr. Mak worked at various offices of KPMG (Hong Kong, London and Birmingham offices). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company are terrestrial TV broadcasting, together with programme production and distribution, and other TV-related activities. The principal activities of the principal subsidiaries are detailed in Note 43 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS, APPROPRIATIONS AND DISTRIBUTABLE RESERVES

The results of the Group for the year are set out in the consolidated income statement on pages 102 to 103.

Distributable reserves of the Company amounted to HK$5,349,587,000 at 31 December 2016 (2015: HK$4,674,441,000).

DIVIDEND

The Board had declared on 24 August 2016 an interim dividend of HK$0.60 per share for the year ended 31 December 2016. However, the Board has resolved to defer the proposal for dividend to the next Board meeting immediately following the outcome of the Offer for the share buy-back. The Offer will clearly have an impact on the number of Shares in issue and the balance of cash and distributable reserves that the Company has for any such dividend. The Company expects that, barring unforeseen circumstances, the agenda for the forthcoming annual general meeting of the Company will include matters relating to dividend.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$4,505,000.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment purpose are set out below and in Note 7 to the consolidated financial statements.

Properties include level 10, 13, 14, 15, 16 and 2 car parking spaces at basement 2, 4 car parking spaces at basement 3 and 2 car parking spaces at basement 4, No. 23 Section 1 of Bade Road, Zhongzheng District, Taipei City, Taiwan. These properties are used as offices and are freehold.

SHARE ISSUED IN THE YEAR

The Company has not issued any shares in the year. Details of the share capital information of the Company are set out in Note 19 to the consolidated financial statements.

DEBENTURE ISSUED IN THE YEAR

TVB Finance Limited, a wholly-owned subsidiary of the Company, issued USD500 million 3.625% Guaranteed Notes Due 2021 ("Notes") on 11 October 2016. The Notes are irrevocably and conditionally guaranteed by the Company. The Notes were listed on the Stock Exchange on 12 October 2016. Details of the Notes are set out in Note 22 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94.

BUSINESS REVIEW

A business review of the Group, by lines of business, for the year are as follows:

OVERALL

TVB has a dominant market share of over 90% in TV broadcasting Hong Kong, and employs a total of 4,249 employees in Hong Kong and overseas.

HONG KONG TV BROADCASTING

TVB operates under a domestic free TV programme service licence ("Free TV Licence") which was renewed by the Government in May 2015 for a further period of 12 years, ending in 2027. Under the Free TV Licence, TVB broadcasts five terrestrial TV channels, namely Jade, J2, Pearl, iNews and J5 (collectively, the "TVB channels") using the allocated digital TV spectrum (using digital TV sets or via set-top boxes), and two terrestrial TV channels, namely, Jade and Pearl using the allocated TV analogue spectrum. The Government has confirmed that the analogue TV spectrum will have to be switched off by 2020. Since 2007, TVB has made substantial investment to build the DTT network by constructing a total of 29 signal transmission stations throughout Hong Kong. The DTT network already covers 99 percent of the population, on par with that for analogue services.

As a Free TV licensee, TVB is regulated under the Broadcasting Ordinance and various Codes of Practices. In particular, the duration of advertisements which can be broadcast on TVB channels during the broadcasting hours is strictly regulated. Further, TVB is required to broadcast certain Government produced programmes and announcements. Under the licence, TVB is required to produce a news programme service for the general public, and positive programmes catering to the needs of children and elderly viewers.

DIGITAL NEW MEDIA

In order to cater to the changing viewing habits of viewers, TVB commenced development of its digital new media business over 10 years ago. Through technological improvements, TVB is able to deliver increasing amount video content on its website.

TVB monetises these content through its website by insertion of advertisement, in static or video format, before and during the programmes.

In recent years, TVB has extended its digital new media business from portal to mobile devices through the use of apps. TVB operates a total of eight apps, targeting different segment of viewers who are seeking programmes and documentaries; news; entertainment news; finance related news and content. The monetisation of the content is by way of display advertisements, both in static or video format.

TVB launched in April 2016 an Internet-connected TV service or OTT service named myTV SUPER. Viewers enjoy through a subscription service a very large quantity of linear channels and programmes on demand.

PROGRAMME LICENSING AND DISTRIBUTION

TVB licenses its self-produced channels and programmes to overseas TV broadcasters, including both free and pay operators, in return for licence fees. A number of business models are being used, depending on the markets. In Mainland China where content produced by TVB is regarded as non-Mainland produced, it is subject to the regulations governing imported TV programmes. In other key markets such as Malaysia and Singapore, TVB enters into supply agreements with the local operators supplying a fixed number of hours of programmes and channels in return for a licence fee. During the year, TVB's contracts with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") in Malaysia and StarHub Cable Vision Limited in Singapore continued to take effect. Beyond these key markets, TVB continues to explore the licensing of content to newer markets, including Vietnam and Cambodia, as part of its business to further widen the distribution.

REPORT OF THE DIRECTORS

OVERSEAS PAY TV OPERATIONS

TVB operates its own platforms in a number of key overseas markets, namely North America (USA), Australia and Europe under a subscription model. A number of channels are being compiled by TVB which may be TVB produced or acquired, to form a service pack. Viewers are required to subscribe for such service packs. In recent years, TVB began to utilise the Internet for distribution under a service named TVB Anywhere.

CHANNEL OPERATIONS

TVB produces and distributes two satellite TV channels, namely TVB8 and Xing He channels, for distribution in markets such as Mainland China, Malaysia and Singapore.

OTHERS

TVB operates a number of TV related businesses, namely a movie production and distribution business under the name of Shaw Brothers Pictures; music entertainment; and the publication of a weekly magazine named TVB Weekly which is being distributed in Hong Kong to complement the broadcasting business.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

TVB regards the following risks as the top two macro risks affecting its operation:

- Terrestrial TV, as in many countries worldwide, is experiencing gradual decline in viewership, as many are opting for non-terrestrial TV platforms, such as the Internet and mobile services, mainly because these platforms provide viewers with more channel choices, a much wider selection of programmes, and most importantly, a capability to deliver programmes on demand. If this technological threat is not properly addressed, this threat will present a significant negative impact on TVB undermining the future financial performance. TVB regards this business risk as the top risk, if not properly addressed. To mitigate this, TVB launched a new Internet connected or OTT service called myTV SUPER in April 2016. TVB is partnering with two major Internet service providers in Hong Kong, Hutchison Telecommunications and Hong Kong Broadband in its roll out of this service. Further, this platform will be complemented by Big Big Channel to deliver social media related content.
- TVB recognises that the quality of drama programmes is of critical importance for the retention of viewers. Main factor attributing to the decline in quality experienced in the past is the loss of experienced scriptwriters to other studios in Mainland China and Taiwan. As a result, the average television ratings for TVB drama serials have been showing some decline. To rectify the problem, management has strengthened the supporting resources to build a more sustainable production pipeline.

IMPORTANT EVENTS AFFECTING THE COMPANY THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

The Company announced that on 24 January 2017 an offer would be made to buy-back, subject to conditions, up to 138,000,000 shares, representing approximately 31.51% of the share capital of the Company, at the price of HK$30.50 per share. The offer, if accepted in full, will result in the Company paying approximately HK$4,209 million to the accepting shareholders. Subsequently, on 13 February 2017, the Company announced that the maximum number of shares to be bought back under the offer will be reduced from 138,000,000 to 120,000,000, representing 27.40% of the share capital of the Company such that at least 25% of the shares will be held by the public at all times upon the close of the revised offer. The offer price was increased from HK$30.50 to HK$35.075 per share to maintain the same aggregate consideration for the offer as the Company originally proposed.

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

KEY FINANCIAL PERFORMANCE INDICATORS

- For the year, the Group's gross profit percentage had decreased from 55% to 45%, and its operating profit percentage had decreased from 20% to 13%, mainly owing to the lower revenue contribution from the Hong Kong TV broadcasting business.

- The Group's gearing ratio (calculated on the basis of gross debt over total equity) as at 31 December 2016 was 53.1% (31 December 2015: 3.0%).

DIVIDEND POLICY

The Board supports a policy to provide a steady dividend return to shareholders.

THE COMPANY'S ENVIRONMENTAL POLICIES AND PERFORMANCE

It is TVB's policy to ensure that its business is conducted in the most environmental friendly manner. TVB closely monitors the usage of electricity which is a major resource supporting the broadcasting business to ensure a high degree of efficiency.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

During the year, the Company was in compliance with the relevant laws and regulations in Hong Kong and other territories in which the Group operates.

THE COMPANY'S KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintains good relationships with its employees (including performance artistes), customers and suppliers.

DIRECTORS

The Directors of the Company during 2016 were, and at the date of this Annual Report are, as follows:

EXECUTIVE DIRECTORS

Mark Lee Po On
Cheong Shin Keong

NON-EXECUTIVE DIRECTORS

Charles Chan Kwok Keung
Li Ruigang (appointed on 17 October 2016)
Mona Fong
Anthony Lee Hsien Pin
Chen Wen Chi
Thomas Hui To

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Or Ching Fai
William Lo Wing Yan
Caroline Wang Chia-Ling
Allan Zeman

RESIGNED DIRECTORS

Jonathan Milton Nelson (resigned on 7 June 2016)
Jessica Huang Pouleur (ceased as Alternate Director to Jonathan Milton Nelson on 7 June 2016)
Harvey Chang Hsiao Wei (resigned as Alternate Director to Chen Wen Chi on 22 April 2016)

The Company had received the resignation letters from the respective Resigned Directors confirming that they had no disagreement with the Board and there was nothing relating to the affairs of the Company which needed the attention of the shareholders and that their resignations were due to increasingly heavy commitments to their other businesses.

The Company issued letters of appointment for all Directors setting out the key terms and conditions of their appointments.

Pursuant to the Company's Articles of Association ("Articles"), any director appointed by the Company in general meeting shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Any director appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for election at the meeting. Subsequently, directors will be subject to retirement and re-election at every third annual general meeting of the Company following his/her election or re-election.

Dr. Raymond Or Ching Fai and Mr. Mark Lee Po On, who retired at the Company's annual general meeting held in May 2016 ("2016 AGM"), were successfully re-elected as Directors at the 2016 AGM.

In accordance with Article 112 of the Articles, Mr. Li Ruigang, who was appointed by the Board as a Director on 17 October 2016, holds office as Director of the Company until the next general meeting of the Company and, being eligible, will offer himself for election at the 2017 AGM.

REPORT OF THE DIRECTORS

In accordance with Article 117(A) of the Articles, Dr. Charles Chan Kwok Keung will retire at the 2017 AGM and, being eligible, offer himself for re-election at the 2017 AGM.

Biographical information of Mr. Li Ruigang and Dr. Charles Chan Kwok Keung, who are subject to election or re-election at the 2017 AGM, will set out in the notice of the 2017 AGM which will be sent to the shareholders of the Company.

DIRECTORS OF THE SUBSIDIARIES

A list of names of all the directors who have served on the boards of Company's subsidiaries during the year and up to the date of this report is available on the Company's website at www.corporate.tvb.com.

DIRECTORS' SERVICES CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation. The Company and any of its subsidiaries did not operate any employee share option scheme in 2016, and therefore, no share options have been granted to the Directors during 2016.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of Directors and members of Senior Management are set out on pages 54 to 59 of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2016, interests of the Directors (other than Independent Non-executive Directors) in the company/companies which is/are considered to compete or likely to compete, either directly or indirectly with the principal business of Group is required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are set out below.

Mr. Li Ruigang, a Non-executive Director and the Vice Chairman of the Company, is the Founding Chairman of CMC Capital Partners and CMC Holdings Limited (together with its affiliates, called "CMC") and through CMC has certain deemed interests as a substantial shareholder and/or has certain directorships in companies engaged in the businesses of television programme licensing and distribution in Mainland China ("Interested Companies"). In addition, Mr. Thomas Hui To, a Non-executive Director of the Company, is also a director of CMC Holdings Limited which has interests in the Interested Companies.

The Interested Companies may be considered to be businesses which compete or are likely to compete with the Company's business. However, as the Interested Companies have been operating independently of, and at arm's length from, the businesses of the Company, and as the Interested Companies and business of the Company represent a small percentage of the total market for television programme licensing and distribution in Mainland China, no meaningful competition is considered to exist.

The Board of the view that the Group is capable of carrying on its business independently of, and at arm's length, from the business of those entities.

Save as disclosed above, none of the Directors of the Company has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

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

At 31 December 2016, 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, 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 for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

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

Notes:

- Duplication of shareholdings occurred between parties# 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 under the sub-heading of "Other Persons' Interests in the Shares of the Company"

At 31 December 2016:

(a) Percentage in the share capital was based on the 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 is 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 is an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which is 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 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 is a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which is in turn a wholly-owned subsidiary of CMC Holdings Limited ("CMC Holdings"). CMC Holdings is a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer") which is 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 share interest is indirectly held by his spouse, Ms. Wang Hsiueh Hong through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly holds an interest. Profit Global is 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") holds 100% equity interest in Shaw Foundation. Ms. Mona Fong exerts 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 Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage in share capital (%)
Shine Investment Limited	Li Ruigang	–	–	102	–	102 [(a)(f)]	85.00 [(b)]
Concept Legend Limited	Mona Fong	–	–	1	–	1 [(c)(f)]	50.00 [(d)]
Wealth Founder Limited	Mona Fong	–	–	67	–	67 [(e)(f)]	67.00 [(d)]

Notes:

At 31 December 2016:

(a) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which are 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 holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 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 holds 50% equity interest. Shaw Holdings holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.

(f) The interests held by these Directors represented long positions.

Save for the information disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouse 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) required to be disclosed pursuant to the SFO, the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance").

The Company and any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations did not operate any employee share option scheme in 2016, and therefore, at no time during the year 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 spouse 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).

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2016, 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 of issued share capital (%)[a]
Shaw Brothers Limited [b]	113,888,628 #(c)(f)(h)	26.00
Young Lion Acquisition Co. Limited	113,888,628 #(c)(f)(h)	26.00
Young Lion Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Innovative View Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Gold Pioneer Worldwide Limited	113,888,628 #(d)(h)	26.00
CMC Holdings Limited	113,888,628 #(d)(h)	26.00
CMC M&E Holdings Ltd.	113,888,628 #(d)(h)	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 #(d)(f)(h)	26.00
Wang Hsiueh Hong	113,888,628 #(e)(h)	26.00
Kun Chang Investment Co. Ltd.	113,888,628 #(e)(h)	26.00
Profit Global Investment Limited	113,888,628 #(e)(f)(h)	26.00
Silchester International Investors LLP	61,407,500 (g)(h)	14.02
Dodge & Cox	40,163,800 (g)(h)	9.17
Silchester International Investors International Value Equity Trust	26,307,900 (h)	6.01

Notes:

Duplication of shareholdings occurred between parties# 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 31 December 2016:

(a) Percentage in the share capital was based on the 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 is 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 the 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which is in turn a wholly-owned subsidiary of YLH, which is controlled by Dr. Chan, through IVH.

(d) CMC M&E Acquisition was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition is a wholly-owned subsidiary of CMC M&E Holdings, which is in turn a wholly-owned subsidiary of CMC Holdings. CMC Holdings is a non wholly-owned subsidiary of Gold Pioneer which is wholly-owned and controlled by Mr. Li.

(e) Ms. Wang was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global is controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Wang.

(f) Dr. Chan, IVH, CMC Acquisition, Profit Global, YLH, YLA and Shaw Brothers are the parties of an agreement ("Agreement") to hold the interest in the 113,888,628 shares in the Company. The Agreement is an agreement to which Section 317 of the SFO applies.

(g) Interests were held in the capacity of investment managers.

(h) The interests held by these persons/entities 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 of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

The following transactions constituted continuing connected transactions of the Company which are subject to the requirements under Chapter 14A of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

1. Continuing connected transactions with Shaw Movie City Hong Kong Limited ("Shaw Movie"), announced on 21 February 2013

   As announced on 21 February 2013, the Company and TVB.COM Limited, an indirect wholly-owned subsidiary of the Company ("TVB.COM"), entered into several agreements on 21 February 2013 (including the tenancy agreements, colocation agreement, Internet protocol telephone licence and parking licences, collectively, "2013 Shaw Agreements") with Shaw Movie for the lease of certain properties at Shaw Moviecity, a property located at 201 Wan Po Road, Tseung Kwan O, Kowloon, Hong Kong ("Shaw Moviecity"), which is wholly-owned by Shaw Movie, and for various facilities services, on such terms and conditions as stipulated in the 2013 Shaw Agreements. At the date of entering into the 2013 Shaw Agreements, Shaw Movie was an associate of Ms. Mona Fong, a Non-executive Director of the Company. Therefore, the entering into the 2013 Shaw Agreements constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2013 Shaw Agreements are as follows:

   (a) On 21 February 2013, the Company and Shaw Movie entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2013 to 31 January 2016. The rent and related expenses incurred by the Company during 2016 were HK$265,000.

   (b) On 21 February 2013, TVB.COM and Shaw Movie entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2013 to 31 January 2016. The rent and related expenses incurred by TVB.COM during 2016 were HK$318,000.

   (c) On 21 February 2013, TVB.COM and Shaw Movie entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2013 to 31 January 2016. The rent and related expenses incurred by TVB.COM during 2016 were HK$180,000.

   (d) On 21 February 2013, TVB.COM and Shaw Movie entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from Shaw for storage of server equipment at Shaw Moviecity for a three year fixed term commencing from 1 February 2013 to 31 January 2016. The service fee incurred by TVB.COM during 2016 was HK$420,000.

   (e) On 21 February 2013, TVB.COM and Shaw Movie entered into an Internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an Internet protocol telephony communication system services installed by Shaw at the offices at Shaw Moviecity which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2016 was HK$29,000.

   (f) On 21 February 2013, the Company and Shaw Movie entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking spaces at Shaw Moviecity for a six month licence period from 1 February 2013 and renewable for every six months. The licence fee incurred by the Company during 2016 was HK$6,000*.

(g) On 21 February 2013, TVB.COM and Shaw Movie entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a six month licence period from 1 February 2013 and renewable for every six months. The licence fee incurred by TVB.COM during 2016 was HK$13,000*.

* As the annual amount of these transactions is immaterial, no itemised disclosure was made in the relevant announcement dated 21 February 2013.

2. Continuing connected transactions with Shaw Movie, announced on 24 February 2016

As announced on 24 February 2016, the Company and TVB.COM, entered into several agreements on 24 February 2016 (including the tenancy agreements, colocation agreement, Internet protocol telephone licence and parking licences, collectively, "2016 Shaw Agreements (A)") with Shaw Movie for the lease of certain properties at Shaw Moviecity, which is wholly-owned by Shaw Movie, and for various facilities services, on such terms and conditions as stipulated in the 2016 Shaw Agreements (A). At the date of entering into the 2016 Shaw Agreements (A), Shaw Movie was an associate of Ms. Mona Fong, a Non-executive Director of the Company. Therefore, the entering into the 2016 Shaw Agreements (A) constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2016 Shaw Agreements (A) are as follows:

(a) On 24 February 2016, the Company and Shaw Movie entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by the Company during 2016 were HK$3,424,000.

(b) On 24 February 2016, TVB.COM and Shaw Movie entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2016 were HK$4,142,000.

(c) On 24 February 2016, TVB.COM and Shaw Movie entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2016 were HK$2,347,000.

(d) On 24 February 2016, TVB.COM and Shaw Movie entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from Shaw for storage of server equipment at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The service fee incurred by TVB.COM during 2016 was HK$4,620,000.

(e) On 24 February 2016, TVB.COM and Shaw Movie entered into an Internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an Internet protocol telephony communication system services installed by Shaw at the offices at Shaw Moviecity which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2016 was HK$390,000.

(f) On 24 February 2016, the Company and Shaw Movie entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by the Company during 2016 was HK$83,000.

(g) On 24 February 2016, TVB.COM and Shaw Movie entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by TVB.COM during 2016 was HK$165,000.

(h) In addition, the Company and TVB.COM reimbursed to Shaw Movie for remitting payments to the government arising from the 2016 Shaw Agreements (A) amounting to HK$204,000 and 406,000 respectively during 2016.

3. Continuing connected transactions with Shaw Movie, announced on 20 July 2016

As announced on 20 July 2016, TVB.COM and TVB Publications Limited, an indirect non wholly-owned subsidiary of the Company ("TVB Publications"), entered into several agreements on 20 July 2016 (including the licence agreement, the tenancy agreement and the parking licence, collectively, "2016 Shaw Agreements (B)") with Shaw Movie for the lease of certain properties at Shaw Moviecity, which is wholly-owned by Shaw Movie, on such terms and conditions as stipulated in the 2016 Shaw Agreements (B). At the date of entering into the 2016 Shaw Agreements (B), Shaw Movie was an associate of Ms. Mona Fong, a Non-executive Director of the Company. Therefore, the entering into the 2016 Shaw Agreements (B) constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2016 Shaw Agreements (B) are as follows:

(a) On 20 July 2016, TVB.COM and Shaw Movie entered into a licence agreement, pursuant to which TVB.COM agreed to hire a warehouse at Shaw Moviecity, with a total gross floor area of approximately 8,000 square feet. The licence has an initial term of one year commencing from 1 May 2016 to 30 April 2017 and with an option to renew for two more years up to 30 April 2019 at the sole discretion of Shaw Movie. The rent and related expenses incurred by TVB.COM during 2016 were HK$2,377,000.

(b) On 20 July 2016, TVB Publications and Shaw Movie entered into a tenancy agreement, pursuant to which TVB Publications agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 16,060 square feet for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The rent and related expenses incurred by TVB Publications during 2016 were HK$2,092,000.

(c) On 20 July 2016, TVB Publications and Shaw Movie entered into a parking licence, pursuant to which TVB Publications agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The licence fee incurred by TVB Publications during 2016 was HK$113,000.

All of the Independent Non-executive Directors of the Company having reviewed the transactions described in paragraphs 1, 2 and 3 above, confirmed:

(i) in the ordinary and usual course of business of the Company and its subsidiaries;

(ii) either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 68 to 70 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The following transactions are transactions between the Company and persons connected with insignificant subsidiaries which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements/ did not constitute continuing connected transactions under Chapter 14A of the Listing Rules:

4. Transactions with MEASAT

   On 30 June 2016, TVBI Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with MEASAT to extend the arrangements under the agreements entered on 13 December 2010 for a term not exceeding four years and to agree on new commercial arrangements for a term of four years commencing on 1 February 2016 ("New MEASAT Agreements"). As at the date of the New MEASAT Agreements, MEASAT was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, and the aggregate value of these non wholly-owned subsidiaries' total assets, profits and revenue represented less than 5% under the relevant percentage ratios (as defined in the Listing Rules) for the financial year ended 31 December 2016, the transactions contemplated under the New MEASAT Agreements were exempt from all the applicable requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.09(1) and (2) of the Listing Rules.

Save as the information disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or a substantial shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

PERMITTED INDEMNITY

Subject to the applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them shall or may incur or sustain in the execution of their duties or in relation thereto pursuant to the Articles. Such provisions were in force during the financial year ended 31 December 2016 and remained in force as of the date of this report. The Company has also arranged directors' liability insurance, to insure against any losses and liabilities incurred by Directors of the Company in their capacity as such.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 39 to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 26 to the consolidated financial statements on page 154 of this Annual Report.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 80 to 88.

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 73 to 93 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company had not redeemed, and neither had the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 29 March 2017, there were 372 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentages of the Group's purchases and sales attributable to its five largest suppliers and five largest customers were both less than 30%.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 29 March 2017

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report ("CG Report") has been prepared in accordance with the requirements pursuant to Corporate Governance Code and Corporate Governance Report ("CG Code") set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and 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 Listing Rules (including all code provisions and certain recommended best practices in the CG Code).

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was in compliance with the code provisions of the CG Code throughout 2016.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has adopted the 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. Specifically, resigned Directors and alternate Directors, namely Mr. Harvey Chang Hsiao Wei, Mr. Jonathan Milton Nelson and Ms. Jessica Huang Pouleur, have confirmed that they had complied with the Model Code from 1 January 2016 to their respective dates of resignation during 2016. A new Non-executive Director appointed during 2016, Mr. Li Ruigang, has confirmed that he had complied with the Model Code from the date of his appointment to 31 December 2016.

BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS

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.

The Board is responsible for development and review of the Company's policies and practices on corporate governance; review and monitoring of training and continuous professional development of Directors; review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements; development, review and monitoring of the code of conduct and compliance manuals applicable to employees and Directors; and review of the Company's compliance with the CG Code and disclosure in the CG Report.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The corporate governance structure of the Company at the date of this CG Report is as follows:

Board
- 2 Executive Directors
- 6 Non-executive Directors
- 4 Independent Non-executive Directors

Remuneration Committee
- 1 Non-executive Director
- 2 Independent Non-executive Directors

Audit Committee
- 1 Non-executive Director
- 3 Independent Non-executive Directors

Internal Audit
- Head of Internal Audit

Executive Committee
- 2 Executive Directors
- 3 Non-executive Directors

Nomination Committee
- 1 Non-executive Director
- 3 Independent Non-executive Directors

Risk Committee
- 2 Executive Directors
- 3 Independent Non-executive Directors

The composition of Board comprises of Executive Directors and Non-executive Directors (including the Independent Non-executive Directors) which together give the Board a balance of skills and experience necessary for the fulfilment of the Company's business objectives. The Non-executive Directors provide independent views at the Board level, which enables the effective exercise of independent judgement.

Biographical information of Directors are set out on pages 54 to 58 of this Annual Report.

During the Year and up to the date of this CG Report, the following changes to the composition of the Board and its Committees took place:

- On 1 April 2016, Professor Caroline Wang Chia-Ling was appointed as a member of the Audit Committee; and Dr. Allan Zeman was appointed as a member of the Nomination Committee.
- On 22 April 2016, Mr. Harvey Chang Hsiao Wei resigned as an Alternate Director to Mr. Chen Wen Chi, a Non-executive Director of the Company.
- On 25 May 2016, Dr. Raymond Or Ching Fai and Mr. Mark Lee Po On retired, and were successfully re-elected as Directors at the 2016 AGM.
- On 7 June 2016, Mr. Jonathan Milton Nelson resigned as a Non-executive Director of the Company. Following the resignation of Mr. Nelson, Ms. Jessica Huang Pouleur also ceased to act as an Alternate Director to Mr. Nelson on the same day.
- On 17 October 2016, Mr. Li Ruigang was appointed as a Non-executive Director of the Company and the Vice Chairman of the Board.

Save as disclosed in this section, there were no other changes in the composition of the Board and its Committees during the year and up to the date of this CG report.

Summarising, the memberships of the Board and its Committees are as follows:

Board of Directors also serving:	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Chairman and Non-executive Director					
Charles Chan Kwok Keung	Chairman	–	Member	–	–
Vice Chairman and Non-executive Director					
Li Ruigang	–	–	–	–	–
Executive Directors					
Mark Lee Po On	Member	–	–	–	Member
Cheong Shin Keong	Member	–	–	–	Member
Non-executive Directors					
Mona Fong	–	–	–	–	–
Anthony Lee Hsien Pin	–	Member	–	Member	–
Chen Wen Chi	Member	–	–	–	–
Thomas Hui To	Member	–	–	–	–
Independent Non-executive Directors					
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	–

ATTENDANCE RECORDS OF DIRECTORS AT BOARD, COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING

The attendance[1] records of Directors at the Board and its Committees' meetings and annual general meeting in 2016 are set out below:

Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Risk Committee meetings	2016 AGM
Charles Chan Kwok Keung	4/4	14/14	–	1/1	–	–	1/1
Li Ruigang[2] (appointed on 17 October 2016)	1/1[2]	–	–	–	–	–	N/A[2]
Mark Lee Po On	4/4	14/14	–	–	–	2/2	1/1
Cheong Shin Keong	4/4	12/14	–	–	–	2/2	1/1
Mona Fong	4/4	–	–	–	–	–	1/1
Anthony Lee Hsien Pin	3/4	–	3/3	–	1/1	–	0/1
Chen Wen Chi	0/4[3]	0/14	–	–	–	–	0/1
Thomas Hui To	4/4	11/14	–	–	–	–	1/1
Raymond Or Ching Fai	4/4	–	3/3	1/1	1/1	2/2	1/1
William Lo Wing Yan	4/4	–	3/3	1/1	1/1	2/2	1/1
Caroline Chia-Ling Wang	4/4	–	1/1[4]	–	–	2/2	1/1
Allan Zeman	4/4	–	–	–	N/A[5]	–	1/1

Resigned Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee Meetings	Nomination Committee Meeting	Risk Committee meeting	2016 AGM
Harvey Chang Hsiao Wei (resigned as Alternate Director to Chen Wen Chi on 22 April 2016)	1/1[3]	–	–	–	–	–	–
Jonathan Milton Nelson (resigned on 7 June 2016)	0/2[6]	–	–	–	–	–	0/1
Jessica Huang Pouleur (resigned as Alternate Director to Jonathan Milton Nelson on 7 June 2016)	2/2[6]	–	–	–	–	–	–

Notes:

Demonstration – Total numbers of meeting(s) attended/Total number of meeting(s) held during 2016 or total number of meeting(s) (held during 2016 following his/her appointment)

1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

2 Mr. Li Ruigang was appointed as a Non-executive Director of the Company on 17 October 2016. One Board meeting was held during 17 October 2016 and 31 December 2016, following the appointment of Mr. Li as a Non-executive Director of the Company. The 2016 AGM was held during 2016 before his appointment.

3 Four Board meetings were held in 2016, one of which was attended by Mr. Chen's alternate Director.

4 Professor Caroline Chia-Ling Wang was appointed as a member of the Audit Committee on 1 April 2016. One Audit Committee meeting was held during 1 April 2016 and 31 December 2016, following the appointment of Professor Wang as a member of the Audit Committee.

5 Dr. Allan Zeman was appointed as a member of the Nomination Committee on 1 April 2016. No Nomination Committee meeting was held during 1 April 2016 and 31 December 2016, following the appointment of Dr. Zeman as a member of the Nomination Committee.

6 Mr. Jonathan Milton Nelson resigned as a Non-executive Director of the Company on 7 June 2016. Two Board meetings were held during 1 January 2016 and 6 June 2016, before the resignation of Mr. Nelson. These two Board meetings were attended by Mr. Nelson's alternate Director.

DIRECTORS' RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are collectively and individually responsible to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

Each Director is kept abreast of his/her responsibilities as Director of the Company and of the conduct, business activities and development of the Company. Management provides monthly management accounts, press releases and cuttings, and other information to Directors in a timely manner to keep them apprised of the Company's latest development, performance, position and prospects. In addition, Directors have independent access to members of Senior Management in respect of operational issues.

In order to keep Directors abreast of professional developments, the Company organises relevant training sessions to Directors from time-to-time on updates in rules and regulations, market developments, and other relevant topics. In August and December 2016, the Company provided training sessions on a number of topics, covering the Competition Ordinance; key changes to the Listing Rules in relation to risk management and internal controls; and key provisions of the Broadcasting Ordinance, especially the provisions in relation to Disqualified Persons, and a briefing by a fund manager on the trend in investment stewardship. In addition, each Director was asked to provide to the Company a complete record of trainings he/she received from other sources during the year for record purposes.

The Board is empowered to set the strategic direction of the Company and monitor the performance of the Group's business and management; and, inter-alia, ensure that a risk management framework is in place to enable the Company's risks be assessed and managed.

The Board exercises a number of reserved approval powers over matters which include:

- significant changes in accounting policies or capital structure;
- issuance of financial statements and public announcements;
- major acquisitions, disposals and major capital projects;
- material borrowings and any issuing, or buying back, of equity securities;
- the remuneration policy;
- the annual group budget;
- the dividend policy; and
- the treasury policy.

During 2016, the Chairman of the Board, as required under the Listing Rules, held a meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors to discuss issues relevant to the Board.

All Directors (including the resigned Directors as set out under the sub-heading of "Composition of the Board and its Committees" in this CG Report), have confirmed, following enquiry by the Chairman of the Board, that they had spent sufficient time in the affairs of the Company during 2016.

The Chairman is of the view that the Board is working effectively and is performing its duties.

CORPORATE GOVERNANCE REPORT

The Company has, at its own cost and expense, taken out and maintained appropriate directors' liability insurance to insure against losses and liabilities, if any, incurred by Directors of the Company in their capacity as such.

BOARD MEETINGS

The Board normally holds four regular meetings every year, and can hold additional meetings at such other times if considered necessary. During the Year, a total of four Board meetings were held.

The attendance records of Directors at the Board meetings in 2016 are set out in the table on page 76 of this CG Report.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board holds meetings in person on pre-scheduled dates agreed one year in advance. Notices of Board meetings are despatched well in advance of each meeting. The agendas of Board meetings are approved by the Chairman of the Board, and all Directors are given the opportunities to propose agenda items for consideration at meetings. The Board is provided with adequate and timely information about the Company's business and developments before each meeting to enable active participation and discussions. Before each meetings, draft minutes of the previous meeting are circulated and commented on by Directors, before they are approved by the Chairman.

Pursuant to the Articles, a resolution-in-writing signed by all the Directors shall be regarded as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. However, if a Director has a conflict of interest in any matter to be considered by the Board which it has determined to be material, such a matter should be dealt with by a meeting, rather than in a resolution-in-writing.

Proceedings of the Board Committee meetings are governed by the provisions in the Articles for regulating the proceedings of the meetings of Directors.

DELEGATION TO MANAGEMENT

The Board has formalised the functions delegated to Senior Management and reviews such arrangements on a periodic basis. Senior Management is charged with the following responsibilities:

- implementing on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of Senior Management; and
- discharging duties and authorities as may be delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTOR AND THEIR INDEPENDENCE

During the year, the total of four Independent Non-executive Directors namely, Dr. Raymond Or Ching Fai, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman served on the Board. This number of four, therefore, fulfills the minimum requirement of three independent non-executive directors as prescribed under Rule 3.10(1) of the Listing Rules and represents one-third of the composition of the Board of Directors, as prescribed under Rule 3.10A of the Listing Rules. It is considered that the majority of the Independent Non-executive Directors possesses related financial management expertise.

Each of the Independent Non-executive Director of the Company has given the Company a confirmation of his/her independence. The Nomination Committee of the Board has reviewed, by reference to the guidelines set out in Rule 3.13 of the Listing Rules the independence of these Directors, and considered that they are independent.

The Independent Non-executive Directors of the Company carried out a review of the connected transactions of the Company during the Year, and became members of the independent board committee which was established to advise Shareholders on the Offer and the Whitewash Waiver, as announced on 24 January 2017.

RELATIONSHIPS BETWEEN DIRECTORS

The Directors have no relationship (including financial, business, family or other material/relevant relationships) among themselves, and between the Chairman and the Chief Executive Officer, save for the fact that Dr. Charles Chan (Chairman and a Non-executive Director of the Company) with Mr. Li Ruigang (Vice Chairman and a Non-executive Director of the Company) and Ms. Wang Hsiueh Hong (Spouse of Mr. Chen Wen Chi, a Non-executive Director of the Company), are indirect shareholders of Shaw Brothers Limited which holds 26% of the shareholding interest of the Company.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Pursuant to the Articles, all Directors shall be subject to retirement and re-election. Any Director (including Non-executive Directors) appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the immediately following general meeting of the Company, and shall then be eligible for election at such a meeting. Thereafter, they shall be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles. None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

The Company issues letter of appointment to document the key terms of appointment in writing for each Director. A set of "TVB Directors' Manual" containing the Articles, the TVB CG Code, the Model Code and notification procedures, terms of reference of the respective Board Committees, and certain internal policies and rules update and the guidelines issued by the regulatory and professional bodies in respect of their duties is provided to all Directors. In addition, the Company offers formal induction training to Directors upon their appointment.

In accordance with Article 112 of the Articles, Mr. Li Ruigang, who was appointed by the Board as a Director on 17 October 2016, and holds office as Director of the Company until the next general meeting of the Company and, being eligible, will offer himself for election at the 2017 AGM.

In accordance with Article 117(A) of the Articles, Dr. Charles Chan Kwok Keung will retire at the 2017 AGM and, being eligible, offer himself for re-election at the 2017 AGM.

Details of the Director, who are subject to election or re-election at the 2017 AGM, as required under the Listing Rules, will set out in the notice of the 2017 AGM which will be sent to the shareholders of the Company.

SEGREGATION OF DUTIES BETWEEN THE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Group Chief Executive Officer of the Company are segregated and clearly defined, as set out in the TVB CG Code.

Dr. Charles Chan Kwong Keung, Chairman of the Board, provides leadership for the Board. He chairs the Board meetings and promotes a culture of openness to encourage all Directors to actively make contribution to the Board's affairs, to express their views and concerns, to allow sufficient time for discussion of issues and to ensure that the Board decisions fairly reflect the Board consensus and the Board acts in the best interest of the Company.

Mr. Mark Lee Po On, Executive Director and Group Chief Executive Officer of the Company is the pinnacle of the management structure. He is responsible for implementing and reporting to the Board on the implementation of the Company's strategies; overseeing the realisation by the Company of the objectives set by the Board; and providing the necessary information for the Board to monitor the performance of Management.

THE BOARD COMMITTEES

The Board 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. The terms of reference of these five Committees are available on the website of the Stock Exchange ("Exchange's website") and the website of the Company (www.corporate.tvb.com).

CORPORATE GOVERNANCE REPORT

The Company fully supports the Board Committees to perform their respective duties. The Board Committees, through their chairmen, report to the Board on their work, decisions and recommendations.

Major roles and functions, composition and operating mode of the Board Committees are set out below.

EXECUTIVE COMMITTEE

The Executive Committee has been delegated by the Board with the powers in the oversight of the management of the business and affairs of the Company.

MAJOR ROLES AND FUNCTIONS

The Executive Committee undertakes the following duties:

- to monitor and review the implementation of the Group's strategic and investment plans;
- to monitor and review the organisation, business and personnel policies of the Group;
- to liaise and consult with other committees of the Board on all matters in relation to the businesses of the Group;
- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- to work to the requirements that may from time-to-time be delegated by the Board or contained in the constitution of the Company.

COMPOSITION

The Executive Committee comprises five members and its membership is set out in the table on page 75 of this CG Report.

EXECUTIVE COMMITTEE MEETINGS

The Executive Committee normally meets once a month. Additional meetings may be held as the work of the Executive Committee demands.

During 2016, the Executive Committee held fourteen meetings or resolved matters by way of resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Group's cash position and investment portfolio;
- made recommendation to the Board for dividend payments;
- examined possible ways for yield enhancement on the Group's cash balance;
- approved financial commitments or undertakings over the amount of HK$20 million; and
- approved other Group's routine corporate matters.

AUDIT COMMITTEE

The Audit Committee provides assistance to the Board in fulfilling its responsibilities to independently review and supervise on financial reporting and effectiveness of the system of internal controls of the Company and its subsidiaries; review objectivity and effectiveness of the audit process in accordance with applicable standards; and review the appointment of external auditor and ensure continuing auditor's independence.

MAJOR ROLES AND FUNCTIONS

The Audit Committee is tasked with the following duties:

In respect of relationship with the external auditor:

- to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging the external auditor to supply non-audit services;
- to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to act as the key representative body for overseeing the Company's relations with the external auditor;
- to meet with auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;

In respect of review of the Company's financial information:

- to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and compliance with the Listing Rules and legal requirements in relation to financial reporting;
- regarding the last point mentioned above, members of the Committee should liaise with the Board and Senior Management; and the Committee must meet at least twice a year with the Company's auditor; and the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- to review the continuing connected transactions entered into by the Company and to report to the Board following the conclusion of such review, as required under the Listing Rules;

In respect of oversight of the Company's financial reporting system, risk management and internal control systems:

- to review the Company's financial controls and risk management and internal control;
- to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. Such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to ensure co-ordination between the internal and the external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters in these terms of reference;
- to consider other topics, as defined by the Board; and

Others

- to maintain a whistleblowing policy and system which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that such a whistleblowing policy and system are in place for fair and independent investigation of these matters and for appropriate follow up actions. The whistleblowing policy and system shall also enable those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

COMPOSITION

The Audit Committee has four members, the majority of whom are Independent Non-executive Directors of the Company and is chaired by an Independent Non-executive Director. Most of them are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise. Therefore, the Company complies with the requirement under Rule 3.21 of the Listing Rules. Membership of the Audit Committee is set out in the table on page 75.

AUDIT COMMITTEE MEETINGS

The Audit Committee normally meets three times a year. Additional meetings may be held as the work of the Audit Committee demands. During 2016, the Audit Committee held three meetings and dealt with, inter-alia, the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts on the financial statements of the Company;
- reviewed draft financial statements and results announcements;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the external audit;
- reviewed and discussed audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls;
- made recommendation to the Board regarding appointment and remuneration of the external auditor; and
- reviewed the continuing connected transactions entered into by the Company as required under the Listing Rules.

During 2016, the Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the interim financial information and the annual consolidated financial statements before such statements were presented to the Board for approval.

PricewaterhouseCoopers is the external Auditor of the Company. As required under the CG Code, the Audit Committee held a meeting with PricewaterhouseCoopers, in the absence of management, to discuss matters relevant to the audit.

The reporting responsibilities of PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 95 to 99 of this Annual Report.

WHISTLEBLOWING POLICY

A whistleblowing policy and system has been established since 2012. The Company's employees can use the procedures, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The whistleblowing policy and system is also available external parties who deal with the Company to raise any concerns, in confidence, with the Audit Committee about possible improprieties relating to the Company.

FINANCIAL REPORTING AND AUDIT

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries out the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

RISK MANAGEMENT AND INTERNAL CONTROLS

RESPONSIBILITY

The Board acknowledges that it has overall responsibility in establishing an appropriate risk management and internal control systems on an ongoing basis, and reviewing their effectiveness from time to time to enhance the Group's ability in achieving its strategic objectives, safeguarding assets, complying with applicable laws and regulations and contributing to the effectiveness and efficiency of its operations. The Group's risk management and internal control systems are designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and manage rather than eliminate the risks of failure in operational systems and fulfillment of its business objectives.

RISK COMMITTEE

The Risk Committee is delegated by the Board to oversee and manage all identified major business and operational risks on an ongoing basis. During the year, the Risk Committee met twice in February 2016 and August 2016 to discuss strategic and major operational risks faced by the Group and the related mitigation action plans.

The major roles and functions of the Risk Committee are set out in "Risk Committee" section on page 88.

RISK MANAGEMENT PROCESS AND APPROACH

The risk management process of the Group involves risk identification, analysis, evaluation, estimation, mitigation, reporting and monitoring. The methodology adopted in risk identification and assessment process involves top-down and bottom-up approaches. The top-down approach involves identification of major strategic risks that will prevent the Group from achieving its strategic objectives. To identify major risks, a risk universe containing different types of strategic, operational, compliance and financial risks is created. Through a risk filtering process and risk assessment interviews with senior management and key business heads, major risks are identified for reporting and monitoring. At functional level, a bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations.

ANNUAL REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the year, the Board, through the Audit Committee, has conducted a review of effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls, and assessed the adequacy of resources, qualification and experience of staff of the Group's accounting, financial reporting and internal audit function, and their training programmes and budget ("Review").

A project team was set up during the year to facilitate the Review. This Review was performed by way of risk assessment interviews with senior management to evaluate major strategic risks faced by the Group and the related mitigation actions. In addition, detailed risk and control self-assessment were conducted by the heads of all key business units to assess whether the design and functioning of these control systems at operational level are sufficient to mitigate the operational risks identified.

Based on the outcome of the Review, the Board is satisfied that the Group has established and maintains appropriate and effective risk management and internal control systems.

INTERNAL AUDIT AND MONITORING CONTROLS

The Group advocates the principle of maintaining good corporate governance and the importance of creating the right tone in the organisation, influencing control consciousness of its employees, with emphasis on factors such as integrity, ethical values, competence, responsibility and authority.

CORPORATE GOVERNANCE REPORT

To assist the Board in its monitoring control function, an internal audit department ("Internal Audit") was set up in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group's business operations. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters. Other key principles, including the principles of accountability and objectivity, under which Internal Audit is refrained from involving in daily operations being audited, have been firmly established in the Group's Internal Audit Charter approved by the Audit Committee.

Internal Audit performs its independent reviews of different financial, business and functional operations and activities using a risk based approach to focus on areas of major risks as identified by a comprehensive risk analysis. Division or department heads and the management concerned will be notified of all control deficiencies for rectification within a set time frame.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROLS

The other key elements and processes that have been established by the Group to provide effective risk management and internal control systems include:

- Clear organization structure with well-defined lines of responsibilities from the Board to Board Committees, management and the heads of operating subsidiaries/divisions are established.
- Policies and procedures are established for business operations of the Group to facilitate ongoing identification of emerging risk events, define appropriate risk responses and contain risks within the Group's risk appetite.
- Comprehensive monthly management reporting systems are in place to provide financial and operational performance data to management. Variances from targets are analyzed, explained and improvement actions are taken, if necessary, to rectify deficiencies.
- All employees of the Group can file their complaints about material risk issues, transactions or improprieties directly to the Audit Committee pursuant to the whistle-blowing procedure. This whistle-blowing procedure is independent of management.
- All employees are bound by TVB Code of Ethics to keep inside information in strict confidence and are not permitted to disclose it without authorization. All employees are also refrained from accepting personal benefits through their power and authority derived from their positions.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit and non-audit services have been reviewed and approved by the Audit Committee and endorsed by the Board. The fees for audit and non-audit services charged to the consolidated income statement of the Group are set out as follows:

Fees for audit services

	2016 HK$'000	2015 HK$'000
Company	**2,665**	4,587
Subsidiaries	**3,144**	2,673
Total	**5,809**	7,260
Fees payable to PricewaterhouseCoopers, the principal auditor	**5,101**	6,536

Fees for non-audit services

	2016 HK$'000	2015 HK$'000
Company	**343**	292
Subsidiaries	**2,944**	2,510
Total	**3,287**	2,802
Fees payable to PricewaterhouseCoopers, the principal auditor (Note 1)	**2,874**	2,378

Note:

1 Non-audit services rendered to the Group by PricewaterhouseCoopers during 2016 mainly included professional tax consulting services performed by the tax department, cyber security assessment service performed by the risk assurance department of PricewaterhouseCoopers, which are separate from the team responsible for the Group's audit.

The Audit Committee had reviewed the non-audit services rendered by PricewaterhouseCoopers, the principal auditor, during 2016 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for formulating remuneration policy for Senior Management, making recommendations on annual remuneration review and determining remuneration of Executive Directors and members of Senior Management.

MAJOR ROLES AND FUNCTIONS

The Remuneration Committee shall undertake the following duties:

- to make recommendations to the Board on the Company's policy for the remunerations of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine, with delegated responsibility, the specific remuneration packages of all individual Executive Directors and members of Senior Management, which would include benefits in kind, pension rights; and any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of Non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group (including the Company and its subsidiaries);
- to review and approve the compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

COMPOSITION

The Remuneration Committee comprises three members, majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 75.

REMUNERATION COMMITTEE MEETING

The Remuneration Committee normally meets at least once a year. Additional meetings may be held as the work of the Remuneration Committee demands.

During 2016, the Remuneration Committee held one meeting or by way of passing resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Vice Chairman's fee;
- reviewed and approved the discretionary bonus pool to members of Senior Management and senior executives for 2016;
- reviewed and approved the specific discretionary bonus to members of Senior Management for 2016;
- approved the salary increments to members of Senior Management for 2017; and
- reviewed the fee levels for Chairman, Vice Chairman, Directors and the Board Committees.

The Remuneration Committee determines, with delegated authority in the terms of reference, the remuneration packages of individual Executive Directors and members of Senior Management.

GROUP'S REMUNERATION POLICIES

The key elements of the Group's remuneration policies are:

- remuneration should be set which is commensurate with pay levels in the market;
- remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the industry and the business; and
- no individual should determine his or her own remuneration.

REMUNERATION OF DIRECTORS

All Directors are entitled to a fixed Director's fee which fee was recommended by the Remuneration Committee, determined by the Board and approved by the shareholders.

The Chairman of the Board who is a Non-executive Director is remunerated by a fixed Chairman's fee. Such a fee had been approved by the shareholders of the Company at the annual general meeting of the Company held in 2015.

The Vice Chairman of the Board who is a Non-executive Director is remunerated by a fixed Vice Chairman's fee. Such fee will be approved by the shareholders of the Company at general meeting.

The Executive Directors are remunerated by way of a fixed Director's fee, salaries and other incentive, such as discretionary bonus (which is determined and approved in recognition of their performance and contributions to the Company), and they are not entitled to any additional fee for serving on the Board Committees.

The Non-executive Directors are remunerated by a fixed Director's fee and Board Committee fees, if they also serve on those Committees.

Any increases in Chairman's fee, Vice Chairman's fee and/or Director's fee shall be recommended and proposed by the Board and approved by shareholders at general meetings. Any increases in fees to the chairman or members of the Board Committees shall be approved by the Board.

The annual fee paid or will be paid to the Directors for serving on the Board and the additional annual fees paid to Non-executive Directors for serving on the Board Committees for the year ended 31 December 2016 and the year ending 31 December 2017 are set out below:

Individual director serving	Annual fees for 2016 HK$	Annual fees for 2017 HK$
Board of Directors		
Chairman of the Board	286,000	286,000
Vice Chairman of the Board	250,000 [1]	250,000 [1]
Executive and Non-executive Directors	220,000	240,000 [2]
Executive Committee		
Chairman	195,000	195,000
Members (who is not an Executive Director)	150,000	150,000
Audit Committee		
Chairman	170,000	190,000 [3]
Members	120,000	130,000 [3]
Remuneration Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Nomination Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Risk Committee		
Chairman	70,000	70,000
Members	55,000	55,000

Notes:

1 It was proposed a Vice Chairman's fee of HK$250,000 per annum payable to Mr. Li Ruigang, who is a Non-executive Director of the Company, with effect from 17 October 2016. Such fee is subject to shareholders' approval.

2 It was proposed an increase of fee payable to Directors from HK$220,000 per annum to HK$240,000 per annum with effect from 1 January 2017, is subject to shareholders' approval at the 2017 AGM.

3 The Board approved an increase in the fee payable to the chairman of the Audit Committee from HK$170,000 per annum to HK$190,000 per annum with effect from 1 January 2017. The Board also approved an increase in the fee payable to members of the Audit Committee from HK$120,000 per annum to HK$130,000 per annum with effect from 1 January 2017.

REMUNERATION OF SENIOR MANAGEMENT

Members of Senior Management are remunerated by way of salaries and other incentive, such as discretionary bonus. The Remuneration Committee considers their performance and contribution to the Company as well as the market environment when assessing the annual bonus amount for Members of Senior Management.

NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and for determining the policy for nomination of Directors, the nomination procedures and the process and criteria adopted by the Committee to select and recommend candidates for directorship.

MAJOR ROLES AND FUNCTIONS

The Nomination Committee shall undertake the following duties:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorship;
- to assess the independence of Independent Non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Managing Director; and
- to develop a policy on diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

COMPOSITION

The Nomination Committee comprises four members, the majority of whom are Independent Non-executive Directors of the Company and its membership is set out in the table on page 75.

NOMINATION COMMITTEE MEETING

The Nomination Committee normally meets at least once a year. Additional meetings may be held as the work of the Nomination Committee demands.

During 2016, the Nomination Committee held one meeting or by way of passing resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Board composition;
- reviewed the independence of the Independent Non-executive Directors of the Company;
- reviewed and made recommendations to the Board the re-election of Directors at the 2016 AGM; and
- reviewed the background and nominated the appointment of Directors of the Company.

NOMINATION OF DIRECTORS

For considering the appointment of directors, the Nomination Committee makes reference to criteria including, inter-alia, reputation for integrity, background, accomplishment and extensive business experience in the commercial industry, time commitment, relevant interest, and independence (for Independent Non-executive Director only) to consider candidates are suitable to fill the said positions.

REVIEW OF THE BOARD COMPOSITION

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee shall give adequate consideration to the following principles in carrying out its responsibilities in reviewing the Board composition:

- The Board should have a balance of skills, and experience and diversity of perspectives appropriate to the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient caliber and number for their views to carry weight.

- There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. The Company must explain the reasons for the resignation or removal of any director.

The Nomination Committee has considered the said principles when reviewing the Board composition. It has also considered the diversity of the Board and considered that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Board has adopted a policy on board diversity ("Board Diversity Policy"). The Board Diversity Policy contains measurable objectives for implementing the Board Diversity Policy, and progress on achieving the objectives of the Board Diversity Policy.

Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence. The full text of the Board Diversity Policy is set out in this CG Report on page 91 and is available on the Company's website.

RISK COMMITTEE

The Risk Committee is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, and in ensuring that the Company establishes and maintains sound appropriate and effective risk management and internal controls systems.

MAJOR ROLES AND FUNCTIONS

The Risk Committee shall undertake the following duties:

- to consider the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- to consider the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of the Company's internal audit function and other assurance providers;
- to consider the extent and frequency of communication of monitoring results to the Board (or Board Committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;
- to consider significant control failings or weaknesses that have been identified during the period of review and also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- to consider the effectiveness of the Company's processes for financial reporting and the Listing Rule compliance.

COMPOSITION

The Risk Committee comprises five members, the majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 75.

RISK COMMITTEE MEETINGS

The Risk Committee normally meets at least twice a year. Additional meetings may be held as the work of the Risk Committee demands.

During 2016, the Risk Committee held two meetings to discuss the key risks of the Group as identified by management.

The attendance records of Directors at all Committee meetings in 2016 are set out in the table in this CG Report on page 76.

COMPANY SECRETARY

Mr. Adrian Mak Yau Kee holds the position of Company Secretary of the Company. He also serves as the CFO of the Company. Mr. Mak's biographical details can be found on page 59 of the annual report. Mr. Mak confirmed that he had undertaken sufficient training, as required under Rule 3.29 of the Listing Rules, during the Year.

CORPORATE COMMUNICATION

DISCLOSURE OF INFORMATION

The Company adopted a policy of disclosing relevant information to shareholders and the public in a timely manner:

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's website and the Company's website;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at its website for reference purpose;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with management; and
- reports and circulars are distributed to all registered shareholders.

The Board is vested with the responsibility to disseminate to shareholders and the public any inside information in the form of announcements and circulars, in accordance with the Listing Rules.

The Company maintained a corporate website namely, www.coporate.tvb.com to provide a modern search engine for the news and information of the Company and its subsidiaries.

GENERAL MEETINGS

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the CG Code.

Pursuant to the Listing Rules, notice of annual general meeting is sent to all shareholders at least 20 clear business days before the meeting, and at least 10 clear business days for all other general meetings setting out details of each proposed resolution, poll procedures and other relevant information.

Voting by poll is mandatory at all general meetings except where the chairman of a general meeting, in good faith, decides to allow a resolution which purely relates to a procedural and administrative matter (as defined under the Listing Rules) to be voted on by a show of hand.

The chairman of a general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Poll results are released on the Exchange's website and the website of Company, in accordance with the requirements under the Listing Rules.

Separate resolutions are proposed for each substantially separate issue and are voted by poll at the general meetings.

The chairman of the Board shall attend the annual general meeting and shall invite the chairman of the Board Committees to attend and they should be available to answer questions at the meeting. Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Management of the Company shall ensure the external auditor attends the annual general meeting to answer the questions about the audit.

RELATIONSHIPS WITH SHAREHOLDERS

The Board is committed to maintaining a high degree of corporate transparency, as well as employing a policy of open communication with shareholders. The Company ensures that information is appropriately disseminated to shareholders on a timely basis in compliance with the Listing Rules.

At the Company's annual general meetings, shareholders are provided with an opportunity to communicate face-to-face with the Directors, reflecting the Board's commitment to provide a high degree of accountability. At semi-annual results briefing sessions following the release of results, Senior Management presents and discusses with securities analysts the Company's financial performance and business strategies.

There was no change in the Company's constitutional documents during 2016.

CORPORATE GOVERNANCE REPORT

The Company has designated key officers to provide a two-way communication between management and the investment community to update investors on business strategies and developments, as well as to collect market feedback and opinion. Such communication would include meetings and conference calls. Officers of the Company also participate in investor meetings, both in Hong Kong and abroad, organised by investment banks, to further strengthen the market's understanding of the Company's businesses.

The Company has assigned an email account ir@tvb.com.hk for communication with shareholders. Furthermore, the Company keeps its website www.corporate.tvb.com up-to-date with press releases and announcements for easy access by shareholders.

SHAREHOLDERS' RIGHTS

CONVENING GENERAL MEETING AND MAKING PROPOSALS AT SHAREHOLDERS MEETING

Pursuant to the Companies Ordinance, the procedures for shareholders of the Company ("Shareholders") to convene a general meeting other than annual general meeting ("EGM") and to make proposals at shareholders' meetings are set out below.

1. Shareholders holding at least 5% of the total voting rights of all the members having a right to vote at general meetings can send a written request to convene an EGM to the Company Secretary.
2. The written request must state the objects of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.
3. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, no EGM will be convened as requested.
4. The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM varies according to the nature of the proposal, as follows:
   - 14 days' notice in writing if the proposal constitutes an ordinary resolution or a special resolution of the Company.
   - 28 days' notice in writing if the proposal requires the serving of a special notice under the Companies Ordinance.

Proposals from Shareholders for convening an EGM and to make proposals at shareholders' meetings should be sent to the Company at its registered address or email to companysecretary@tvb.com.hk.

ENQUIRY

SHAREHOLDERS' COMMUNICATION POLICY AND COMMUNICATION CHANNELS

Shareholders' Communication Policy

The Company has established a shareholders' communication policy for maintaining an ongoing dialogue with its Shareholders.

The Board reviews the Shareholders' Communication Policy on a regular basis to ensure its effectiveness and that it meets the best market practice. Full text of the Shareholders' Communication Policy is set out in this CG Report on pages 92 to 93, and is available on the Company's website.

On behalf of the Board

Charles Chan Kwok Keung

Chairman

Hong Kong, 29 March 2017

TELEVISION BROADCASTS LIMITED
(“Company”)
BOARD DIVERSITY POLICY

1. PURPOSE

1.1 This Policy aims to set out the approach to achieve diversity on the Company’s board of directors (“Board”).

2. VISION

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. POLICY STATEMENT

3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objective and its sustainable development. In designing of Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and business experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. MEASURABLE OBJECTIVES

4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and business experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board’s composition (including gender and age) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

5.1 The Nomination Committee will report annually, in the Corporate Governance Report, on the Board’s composition under diversified perspectives, and monitor the implementation of this Policy.

6. REVIEW OF THIS POLICY

6.1 The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. DISCLOSURE OF THIS POLICY

7.1 This Policy will be published on the Company’s website for public information.

7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

TELEVISION BROADCASTS LIMITED
("Company")
SHAREHOLDERS' COMMUNICATION POLICY

PURPOSE

1. The Shareholders' Communication Policy ("Policy") aims to set out the provisions with the objective of ensuring that the Company's Shareholders and the investment community are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance profile), in order to allow Shareholders and the investment community to engage actively with the Company.

2. For the purpose of this policy, references to the investment community is intended to include the Company's potential investors, as well as analysts reporting and analysing the Company's performance.

GENERAL POLICY

3. The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review this Policy to ensure its effectiveness.

4. Information shall be communicated to Shareholders and the investment community mainly through the Company's announcements and financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its corporate communications and other corporate publications on the Company's website.

5. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding this Policy shall be directed to the Company Secretary.

COMMUNICATION STRATEGIES

Shareholders' enquiries

6. Shareholders should direct questions about their shareholdings to the Company's Registrar.

7. Shareholders and members of the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

8. Shareholders and members of the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make enquiries in respect of the Company.

CORPORATE COMMUNICATION*

9. Corporate communication will be provided to Shareholders in plain language and in both English and Chinese to facilitate Shareholders' understanding.

10. Shareholders and members of the investment community are encouraged to provide, amongst other things, their contact details and email addresses to the Company in order to facilitate timely and effective communications.

* Corporation Communication refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, directors' report and annual accounts together with a copy of the auditor's report, interim report, notice of meeting, circular and proxy form.

CORPORATE WEBSITE

11. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes reports and financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

12. Press releases issued by the Company will be made available on the Company's website.

SHAREHOLDERS' MEETINGS

13. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.

14. Suitable transportation arrangements for attendance of the annual general meetings are in place to encourage participation.

15. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

16. Chairman of the Board, either the chairmen of the Board Committees or their delegates, and members of the Board, the Company's senior management and the Auditor will attend the annual general meetings to address any Shareholders' questions.

INVESTMENT MARKET COMMUNICATIONS

17. Investor/analysts briefings and one-on-one meetings shall be arranged in order to facilitate communication between the Company, Shareholders and the investment community.

18. Company's Directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to strictly comply with the relevant Company's policy.

SHAREHOLDER PRIVACY

19. The Company recognises the importance of Shareholders' privacy and will not in any event disclose Shareholders' information without their consent, unless required to do so by law.

SHAREHOLDERS' COMMUNICATION CHANNELS

<u>In relation to general shareholders' matters</u>

Enquiries should be addressed to:

Address:	Television Broadcasts Limited, TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.
Attention:	Head of Investor Relations
Email:	ir@tvb.com.hk

<u>In relation to share certificates and titles to Share Registrars and Transfer Office</u>

Enquiries should be addressed to:

Address:	Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone:	(852) 2862 8555
Fax:	(852) 2865 0990/2529 6087
Email:	hkinfo@computershare.com.hk

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

	2016 HK$'mil	2015 HK$'mil	2014 HK$'mil (Restated) Note 1	2013 HK$'mil	2012 HK$'mil (Restated) Note 2
Revenue	**4,210**	4,455	4,912	5,686	5,448
Profit before income tax	**553**	126	1,482	2,120	2,141
Income tax expense	**105**	144	221	358	403
Profit attributable to equity holders of the Company	**500**	1,331	1,410	1,738	1,732
Earnings per share	**HK$1.14**	HK$3.04	HK$3.22	HK$3.97	HK$3.95
Property, plant and equipment	**1,797**	1,687	3,068	3,105	2,814
Investment properties	**101**	684	10	13	13
Land use rights	**55**	60	66	70	71
Intangible assets	**59**	27	116	172	176
Interests in joint ventures	**20**	30	45	13	16
Interests in associates	**160**	–	531	600	649
Available-for-sale financial assets	**47**	47	–	–	–
Held-to-maturity financial assets (non-current)	**524**	–	–	–	–
Loan and receivables	**–**	143	–	–	–
Other non-current assets	**122**	93	64	28	29
Current assets	**9,471**	6,342	6,657	6,300	5,965
Current liabilities	**(937)**	(720)	(1,343)	(1,642)	(1,496)
	11,419	8,393	9,214	8,659	8,237
Share capital	**664**	664	664	22	22
Reserves	**6,401**	7,016	7,861	8,293	7,723
Shareholders' funds	**7,065**	7,680	8,525	8,315	7,745
Non-controlling interests	**165**	156	179	112	86
Non-current liabilities	**4,189**	557	510	232	406
	11,419	8,393	9,214	8,659	8,237

Notes:

1 The financial results for Liann Yee Group were presented as discontinued operations and comparative figures for 2014 have been restated accordingly. The financial results prior to 2014 have not been restated.

2 The figures for the year 2012 have been restated to reflect the prior year adjustments arising from the remeasurement of defined benefit retirement scheme in accordance with HKAS 19 (revised) "Employee Benefits".

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE MEMBERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 173, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is the amortisation and impairment of programme costs and film rights.

Key Audit Matter	How our audit addressed the Key Audit Matter
Programme costs and film rights *Refer to notes 2, 4(d) and 25 of the consolidated financial statements* The programme costs and film rights recognised as an expense for the year ended 31 December 2016 was HK$1,759 million, representing the amortisation charges in respect of the programme costs and film rights, which constituted the largest single expense item charged to the consolidated income statement. In determining the allocation, timing and amount of the recognition of the programme costs and film rights, significant judgements and estimates were considered by the Group, in particular the following aspects: • Allocation of programme costs and film rights to each of the terrestrial broadcasting, digital new media and licensing and distribution market platforms with reference to their respective economic benefits brought to the Group. • Timing and amount of amortisation based on the expected consumption pattern, number of planned transmissions or duration of the license period, whichever is more relevant and prevailing.	We assessed whether the accounting policy of the Group in respect of the amortisation of programme costs and film rights was reasonable. This assessment included benchmarking against industry practice. We also tested whether the accounting policy was consistently applied year on year. We gained an understanding of the rationale behind the basis of allocation and amortisation pattern and tested the design and implementation of controls over the recognition, allocation and amortisation of the programme costs and film rights. We also evaluated the Group's assessment as to whether the existing allocation and amortisation were in line with the consumption pattern and economic benefit in which the programme costs and film rights were consumed by reference to past experience and the consumption rate for similar types of programmes, and assessing the reasonableness of the projected viewership of the programmes that would likely be achieved over the broadcasting period. We obtained management's full list of programmes and film rights, checked the completeness of the list by agreeing the list to the records in the programmes system and tested the calculation of the amortisation for a sample of programmes and film rights. We found the assumptions and judgements made by the Group in respect of the allocation and amortisation of the programme costs and film rights to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka Keung, Johnny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,797,307**	1,687,364
Investment properties	7	**100,972**	684,309
Land use rights	8	**54,550**	59,948
Intangible assets	9	**59,303**	26,976
Interests in joint ventures	10	**20,193**	29,633
Interests in associates	11	**159,923**	–
Available-for-sale financial assets	12	**47,436**	47,436
Held-to-maturity financial assets	13	**523,509**	–
Deferred income tax assets	23	**36,633**	37,299
Loan and receivables	14	**–**	142,505
Prepayments	16	**86,354**	55,529
Total non-current assets		**2,886,180**	2,770,999
Current assets			
Programmes, film rights and movies		**744,585**	739,655
Stocks	15	**19,826**	12,449
Trade and other receivables, prepayments and deposits	16	**1,671,320**	1,866,517
Tax recoverable		**55,451**	19,642
Held-to-maturity financial assets	13	**775,400**	–
Restricted cash	17	**6,113**	1,825
Bank deposits maturing after three months	18	**676,993**	691,387
Cash and cash equivalents	18	**5,520,962**	2,125,975
Non-current asset held for sale	31(a)	**–**	884,854
Total current assets		**9,470,650**	6,342,304
Total assets		**12,356,830**	9,113,303
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**664,044**	664,044
Other reserves	20	**3,053**	(22,905)
Retained earnings		**6,397,589**	7,039,291
		7,064,686	7,680,430
Non-controlling interests		**165,405**	155,743
Total equity		**7,230,091**	7,836,173
LIABILITIES			
Non-current liabilities			
Borrowings	22	**3,842,493**	234,850
Deferred income tax liabilities	23	**346,819**	321,776
Total non-current liabilities		**4,189,312**	556,626

	Note	2016 HK$'000	2015 HK$'000
Current liabilities			
Trade and other payables and accruals	21	**920,679**	686,197
Current income tax liabilities		**16,748**	34,307
Total current liabilities		**937,427**	720,504
Total liabilities		**5,126,739**	1,277,130
Total equity and liabilities		**12,356,830**	9,113,303

The consolidated financial statements on pages 100 to 173 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 107 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	5	**4,210,308**	4,454,725
Cost of sales		**(2,299,537)**	(2,009,187)
Gross profit		**1,910,771**	2,445,538
Other revenues	5	**68,924**	75,330
Selling, distribution and transmission costs		**(639,031)**	(576,754)
General and administrative expenses		**(949,486)**	(853,477)
Other losses, net	28	**(125,995)**	(84,657)
		265,183	1,005,980
Exchange losses on Renminbi fixed term deposits		**–**	(42,136)
Gain on disposal of investment properties	7	**279,836**	–
Impairment loss on a property	6(c)	**–**	(87,955)
Operating profit		**545,019**	875,889
Finance costs	29	**(33,814)**	(6,441)
Share of losses of joint ventures		**(1,791)**	(15,143)
Share of losses of associates		**(4,126)**	(32,766)
Impairment loss on loan to and amounts due from an associate		**(22,986)**	(695,099)
Write-back of impairment loss on amounts due from an associate arising from business combination	38	**70,636**	–
Profit before income tax	25	**552,938**	126,440
Income tax expense	30	**(105,239)**	(143,952)
Profit/(loss) for the year from continuing operations		**447,699**	(17,512)
Discontinued operations			
Profit for the year from discontinued operations		**–**	103,136
Tax on dividend distributed prior to completion of disposal		**–**	(52,726)
Gain on disposal of discontinued operations	31(b)	**78,028**	1,395,770
Deferred tax in relation to gain from disposal		**(7,076)**	(110,676)
		70,952	1,335,504
Profit for the year		**518,651**	1,317,992

	Note	2016 HK$'000	2015 HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		**428,993**	(4,281)
– Discontinued operations		**70,952**	1,335,504
		499,945	1,331,223
Non-controlling interests			
– Continuing operations		**18,706**	(13,231)
		518,651	1,317,992
Earnings/(loss) per share (basic and diluted) for profit/(loss) attributable to equity holders of the Company during the year			
– Continuing operations	32	**HK$0.98**	HK$(0.01)
– Discontinued operations	32	**HK$0.16**	HK$3.05
		HK$1.14	HK$3.04

The notes on pages 107 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**518,651**	1,317,992
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**21,647**	(48,517)
– Joint ventures	**1,060**	(34)
– Associates	**(9,951)**	–
Reclassification adjustment to profit or loss on disposal of joint ventures/subsidiaries	**1,311**	7,531
Other comprehensive income for the year, net of tax	**14,067**	(41,020)
Total comprehensive income for the year	**532,718**	1,276,972
Total comprehensive income attributable to:		
Equity holders of the Company		
– Continuing operations	**450,793**	(61,553)
– Discontinued operations	**72,263**	1,361,709
	523,056	1,300,156
Non-controlling interests		
– Continuing operations	**9,662**	(23,184)
Total comprehensive income for the year	**532,718**	1,276,972

The notes on pages 107 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		664,044	159,241	7,702,134	8,525,419	178,927	8,704,346
Comprehensive income:							
Profit for the year		–	–	1,331,223	1,331,223	(13,231)	1,317,992
Other comprehensive income:							
Currency translation differences							
– Group		–	(38,564)	–	(38,564)	(9,953)	(48,517)
– Joint ventures		–	(34)	–	(34)	–	(34)
Reclassification adjustment to profit or loss on disposal of subsidiaries		–	7,531	–	7,531	–	7,531
Total comprehensive income, net of tax		–	(31,067)	1,331,223	1,300,156	(23,184)	1,276,972
Transactions with owners:							
Transferred to legal reserve	20	–	3,882	(3,882)	–	–	–
Disposal of subsidiaries		–	(156,016)	156,016	–	–	–
2014 final dividend and special dividend paid		–	–	(1,883,400)	(1,883,400)	–	(1,883,400)
2015 interim dividend paid		–	–	(262,800)	(262,800)	–	(262,800)
Total contributions by and distributions to owners		–	(152,134)	(1,994,066)	(2,146,200)	–	(2,146,200)
Loss previously in reserve released to profit or loss on disposal of subsidiaries		–	1,055	–	1,055	–	1,055
Total transactions with owners		–	(151,079)	(1,994,066)	(2,145,145)	–	(2,145,145)
Balance at 31 December 2015		664,044	(22,905)	7,039,291	7,680,430	155,743	7,836,173
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 year		–	–	499,945	499,945	18,706	518,651
Other comprehensive income:							
Currency translation differences							
– Group		–	30,691	–	30,691	(9,044)	21,647
– Joint ventures		–	1,060	–	1,060	–	1,060
– Associates		–	(9,951)	–	(9,951)	–	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture		–	1,311	–	1,311	–	1,311
Total comprehensive income, net of tax		–	23,111	499,945	523,056	9,662	532,718
Transactions with owners:							
Transferred to legal reserve	20	–	2,847	(2,847)	–	–	–
2015 final dividend paid		–	–	(876,000)	(876,000)	–	(876,000)
2016 interim dividend paid		–	–	(262,800)	(262,800)	–	(262,800)
Total transactions with owners		–	2,847	(1,141,647)	(1,138,800)	–	(1,138,800)
Balance at 31 December 2016		**664,044**	**3,053**	**6,397,589**	**7,064,686**	**165,405**	**7,230,091**

The notes on pages 107 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**964,442**	1,411,260
Interest paid		**(1,033)**	(6,721)
Hong Kong tax paid		**(87,107)**	(150,396)
Overseas tax paid		**(53,323)**	(68,598)
Net cash generated from operating activities		**822,979**	1,185,545
Cash flows from investing activities			
Purchases of property, plant and equipment		**(458,148)**	(305,227)
Purchases of intangible assets		**(32,442)**	(26,976)
Purchases of an available-for-sale financial asset		**–**	(47,433)
Purchases of bond securities		**(520,192)**	–
Purchases of certificates of deposit		**(775,400)**	–
Investment in an associate		**(174,000)**	–
Net cash inflow from acquisition of a subsidiary	38	**42,667**	–
Fund advanced to a joint venture		**–**	(13,044)
Fund advanced repaid by joint ventures		**4,400**	–
Loan repayment received from a joint venture		**2,917**	155,863
Loan repayment received from a former joint venture		**144,092**	–
Decrease/(increase) in bank deposits maturing after three months		**14,940**	(557,968)
Net cash inflow from disposal of a joint venture		**1,020,503**	–
Expenses incurred on disposal of a joint venture		**(55,933)**	–
Net cash inflow from disposal of subsidiaries		**–**	978,642
Expenses incurred on disposal of subsidiaries		**–**	(32,380)
Net proceeds from disposal of investment properties		**875,987**	–
Proceeds from disposal of property, plant and equipment		**2,101**	3,419
Interest received		**41,232**	51,013
Net cash generated from investing activities		**132,724**	205,909
Cash flows from financing activities			
Proceeds from bank loan		**–**	398,960
Proceeds from issuance of notes, net of issuance costs		**3,842,120**	–
Repayments of bank loans		**(237,967)**	(545,270)
Repayment of loan due to a joint venture		**–**	(63,190)
Decrease in restricted cash		**212**	6,763
Dividends paid to equity holders of the Company		**(1,138,800)**	(2,146,200)
Net cash generated from/(used in) financing activities		**2,465,565**	(2,348,937)
Net increase/(decrease) in cash and cash equivalents		**3,421,268**	(957,483)
Cash and cash equivalents at 1 January		**2,125,975**	3,195,869
Effect of foreign exchange rate changes		**(26,281)**	(112,411)
Cash and cash equivalents at 31 December		**5,520,962**	2,125,975

The notes on pages 107 to 173 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Television Broadcasts Limited (the "Company") and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities. The principal activities of the principal subsidiaries are detailed in Note 43.

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.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2017.

KEY EVENTS

In March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,343,000,000 (approximately HK$1,020,503,000). A gain on disposal of HK$78,028,000 was taken up in the year. Upon this disposal, the Group does not have any further interest in Liann Yee Group.

In August 2016, the Group completed the disposal of Neihu investment property in Taiwan at a consideration of NT$4,000,000,000 (approximately HK$971,200,000). The Group realised a disposal gain of HK$279,836,000.

In November 2016, the Group acquired further approximately 9.99% interest in TVB Pay Vision Holdings Limited ("TVBPVH"), the holding company of TVB Network Vision Limited ("TVB Network Vision"), to hold a total interest of approximately 99.99%. A settlement loss of HK$70,000,000 (Note 28 and Note 38) was recognised upon the acquisition of the additional interest, and an adjustment of over-provision of impairment loss on amounts due from TVB Network Vision of HK$70,636,000 was taken up during the year, following a review of the fair value of TVBPVH group when it became a subsidiary from an associate at the date of acquisition of the additional interest.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Note 2.11.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to Hong Kong Accounting Standard ("HKAS") 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Annual improvements to HKFRSs	2012 – 2014 cycle
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Relevant new/revised standards that are not yet effective and have not been early adopted by the Group

The following relevant new/revised standards have been published and are mandatory for the first time for the Group's accounting period beginning on or after 1 January 2017 or later periods, but the Group has not early adopted them:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 16	Leases
Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture

None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, 'Revenue from contracts with customers'

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and 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. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's consolidated financial statements.

HKFRS 16, 'Leases'

HKFRS 16 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 Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 36(c). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All significant inter-company transactions and balances within the Group are eliminated on consolidation. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group that do not result in loss of control. For purchases or disposals of interests from non-controlling interests, the difference between any consideration paid/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

In the Company's statement of financial position, the interests in associates are stated at cost less provision for impairment losses (Note 2.9). The results of the associates are accounted for by the Company on the basis of dividends received and receivable.

(d) Disposal of subsidiaries and associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equal or exceed its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the interests in joint ventures are stated at cost less provision for impairment losses (Note 2.9). The results of the joint ventures are accounted for by the Company on the basis of dividends received and receivable.

Investment in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the purposes of allocating resources to each of the segments and assessing its performance.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of which results in loss of control or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to the consolidated income statement.

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture, fixtures and equipment and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Leasehold land classified as finance leases	Shorter of remaining lease term or useful life
Buildings	2.5%–5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10%–20%
Furniture, fixtures and equipment	5%–25%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Investment properties

Investment properties are defined as properties held to earn rentals or for capital appreciation or both. The Group has applied the cost model to its investment property. The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.9). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 25 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the consolidated income statement when the changes arise.

2.7 Land use rights

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary, an associate or a joint venture over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately in the consolidated statement of financial position (Note 2.2(a)). Goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures, respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately as expenses and are not subsequently reversed. The determination of gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

(b) Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 15 years.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of investments in subsidiaries, associates, joint ventures and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines at each reporting date whether there is any objective evidence that these investments and other non-financial assets are impaired. An impairment loss is recognised in the income statement for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

2.11 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.15), "funds advanced/loan to joint ventures", "loan to an associate", "bank deposits" and "cash and cash equivalents" (Note 2.16) in the statement of financial position.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains or losses from investment securities.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less accumulated impairment.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables and held-to-maturity financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Programmes, film rights and movies

Programmes, film rights and movies are stated at cost less amounts expensed and any provision considered necessary by management.

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between the domestic terrestrial market and the overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees. The cost of programmes for satellite channels is expensed in accordance with a formula computed to amortise the cost over a maximum of three transmissions.

(b) Film rights

Film rights are expensed in accordance with a formula computed to amortise the cost over the contracted number of transmissions.

(c) Movies

The cost of movie stocks includes all direct production costs which comprise cost of services, facilities and raw materials consumed in the creation of a film. Movie stocks are stated at cost less accumulated amortisation and accumulated impairment losses.

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs, over-the-top (“OTT”) set-top boxes and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Borrowings

The Group's borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred income tax.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and who are located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff who joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of the individual's "relevant income" with a maximum amount of HK$1,500 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff who joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,500 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment).

The retirement schemes which cover employees located in overseas locations are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Financial guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise the fee income earned in the consolidated income statement on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

2.24 Revenue recognition

Advertising income net of agency deductions is recognised (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a magazine; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms.

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Income from licensing of content to mobile devices and website portals is recognised when the services are rendered and when the right to receive payment is established. Distribution income from video sell through is recognised upon delivery of the video.

Subscription income from the operation of pay television networks and OTT services are recognised on a straight-line basis over the contract period which generally coincides with when the services are rendered. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables and accruals in the statement of financial position.

Income from sales of decoders and sales of magazines is recognised on delivery of products. Movie income is recognised when the movie picture is exhibited and the right to receive payment is established. Income from other services, which includes programmes/commercial production income, management fee income, facility rental income and other service fee income, is recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

2.25 Leases

(a) Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Operating leases (as lessor)

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs, if any, incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

(c) Finance leases (as lessee)

Leases of land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased land and the present value of the minimum lease payments.

2.26 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency risk.

The Group manages this risk by seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favourable. The Group currently does not have a foreign currency hedging policy but manages its exposure through closely monitoring the movement of the foreign currency rates and will consider entering into foreign exchange forward contracts to reduce the exposure if required. The Group does not conduct any speculative foreign currency activities.

The following table summarises the change in the Group's profit after taxation in response to reasonably possible changes in foreign exchange rates on currencies to which the Group has exposure at the end of the reporting period and assuming all other variables remain constant. Such exposure relates to the portion of loan, trade receivables, bank deposits, cash and bank balances and trade payables.

	2016		2015	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Increase/ (decrease) in profit after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**6%**	**8,619**	7%	37,797
	(6%)	**(8,619)**	(7%)	(37,797)
Malaysian Ringgit	**10%**	**3,027**	22%	8,053
	(10%)	**(3,027)**	(22%)	(8,053)
New Taiwan dollars	**5%**	**13**	4%	5,706
	(5%)	**(13)**	(4%)	(5,706)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal interest bearing assets and liabilities are cash balances and bank deposits (2015: loan to a joint venture, cash balances, bank deposits and floating interest rate bank borrowings). The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to selecting terms which are most favourable to the Group.

Sensitivity analysis in 2016 has been conducted on bank deposits. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have increased/decreased by HK$54,655,000 in respect of bank deposits.

Sensitivity analysis in 2015 has been conducted on the loan to a joint venture, bank deposits and bank borrowings. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for 2015 would have increased/decreased by HK$1,127,000 and HK$25,167,000 in respect of the loan to a joint venture and bank deposits respectively and the Group's profit after taxation would have decreased/increased by HK$1,949,000 in respect of bank borrowings.

(b) Credit risk

The Group's credit risk is primarily attributable to its bond securities, credit sales, bank balances and bank deposits. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. The credit risk on trade receivables is not considered significant given the majority of credit sales relate to reputable advertising agencies with no recent history of default. In addition, the Group reviews the recoverable amount of each individual trade debtor, associate and joint venture at the end of each reporting period to ensure that impairment has adequately been provided for doubtful debts. The credit risk on bank balances is limited as the banks are of acceptable credit ratings. The credit risk on bond securities is limited as the Group only invests in issuers that have strong credit ratings.

(c) Liquidity risk

The Group employs cash flow forecasting to manage liquidity risk by forecasting the amount of cash required (including working capital, loan repayments, dividend payments and potential new investments) and by maintaining sufficient cash and adequate undrawn banking facilities to ensure our funding requirements are met.

The Group's financial liabilities include trade payables, other payables, accruals and borrowings. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including future interest payments).

	2016		2015	
	Borrowings HK$'000	**Trade and other payables and accruals HK$'000**	Borrowings HK$'000	Trade and other payables and accruals HK$'000
Within 1 year	**140,541**	**699,022**	3,898	564,976
Between 1 and 2 years	**140,541**	**–**	14,568	–
Between 2 and 5 years	**4,267,393**	**–**	64,827	–
Over 5 years	**–**	**–**	184,580	–
	4,548,475	**699,022**	267,873	564,976

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratios. This ratios are calculated as total debt divided by total capital and net debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Net debt is calculated as total debt less cash and cash equivalents and bank deposits maturing after three months. Total capital is calculated as total equity, as shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Total debt	**3,842,493**	234,850
Less: cash and cash equivalents	**(5,520,962)**	(2,125,975)
Less: bank deposits maturing after three months	**(676,993)**	(691,387)
Net debt/(net cash)	**(2,355,462)**	(2,582,512)
Total equity	**7,230,091**	7,836,173
Gearing ratios		
– Total debt to total equity ratio	**53.1%**	3.0%
– Net debt to total equity ratio	**N/A**	N/A

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are analysed by below valuation method. The different methods 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 31 December 2016 and 2015, the fair value measurement of the Group's available-for-sale financial assets is included in level 3 (Note 12).

As at 31 December 2016, the fair value measurement of the Group's held-to-maturity financial assets is included in level 2 (Note 13).

There was no transfer between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables is called into doubt, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivables and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations.

(b) Useful lives of property, plant and equipment and investment properties

In accordance with HKAS 16 and HKAS 40, the Group estimates the useful lives of property, plant and equipment and investment properties in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(c) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

(d) Programme costs and film rights

The Group allocates and amortises the programme costs and film rights to each of the terrestrial TV platform, digital new media platform and licensing and distribution market based on their potential benefits brought to the Group and the expected consumption pattern. Management regularly reviews the basis of the allocation and amortisation and will adjust the allocation and amortisation method when the expected changes in respective economic benefit, consumption pattern or consumption rate arise. Impairment loss is recognised when there is an indication that the estimated recoverable amount of individual programme is less than its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in terrestrial television broadcasting with programme production, Hong Kong digital new media business, programme licensing and distribution, overseas pay TV operations, channel operations and other activities.

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

Other revenues comprise mainly interest income.

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

	2016 HK$'000	2015 HK$'000
Revenue		
Advertising income, net of agency deductions	**2,619,750**	3,062,946
Licensing income	**919,084**	906,919
Subscription income	**201,015**	125,565
Others	**528,021**	421,944
	4,267,870	4,517,374
Less: withholding tax	**(57,562)**	(62,649)
	4,210,308	4,454,725
Other revenues		
Interest income	**50,260**	54,512
Others	**18,664**	20,818
	68,924	75,330
	4,279,232	4,530,055

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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 on terrestrial TV platform, broadcasting of commercials on terrestrial and pay TV platforms and production of programmes
(b)	Hong Kong digital new media business	–	provision of OTT services 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 targetting 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 consolidated financial statements.

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 were charged on a cost plus basis or at similar terms as that contracted with third parties.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue and results for the year by operating segments 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
Continuing operations									
For the year ended 31 December 2016									
Revenue									
External customers	2,661,486	224,250	899,179	168,807	84,423	172,163	–	–	4,210,308
Inter-segment	45,713	5,267	119,997	–	5,938	19,137	–	(196,052)	–
Total	2,707,199	229,517	1,019,176	168,807	90,361	191,300	–	(196,052)	4,210,308
Reportable segment profit before non-recurring income/(expenses)	(71,080)	(29,301)	443,857	(40,237)	2,264	27,721	(32,855)	1,000	301,369
Gain on disposal of investment properties	–	–	–	–	–	279,836	–	–	279,836
Impairment loss on amounts due from an associate	(22,986)	–	–	–	–	–	–	–	(22,986)
Settlement loss (Note 38)	(70,000)	–	–	–	–	–	–	–	(70,000)
Write-back of impairment loss on amounts due from an associate arising from business combination	70,636	–	–	–	–	–	–	–	70,636
Reportable segment profit after non-recurring income/(expenses)	(93,430)	(29,301)	443,857	(40,237)	2,264	307,557	(32,855)	1,000	558,855
Interest income	40,317	155	4,819	63	–	4,906	–	–	50,260
Finance costs	–	–	–	–	–	(959)	(32,855)	–	(33,814)
Depreciation and amortisation	(266,153)	(35,607)	(8,164)	(4,011)	(820)	(23,438)	–	–	(338,193)
Additions to non-current assets*	221,637	226,774	25,897	7,711	84	1,590	–	–	483,693
Continuing operations									
For the year ended 31 December 2015									
Revenue									
External customers	3,059,037	166,384	828,214	185,597	98,738	116,755	–	–	4,454,725
Inter-segment	46,219	3,728	122,849	284	5,809	12,422	–	(191,311)	–
Total	3,105,256	170,112	951,063	185,881	104,547	129,177	–	(191,311)	4,454,725
Reportable segment profit before non-recurring expenses	551,142	41,340	410,354	(30,661)	17,309	11,055	–	(1,000)	999,539
Exchange losses on Renminbi fixed term deposits	(42,136)	–	–	–	–	–	–	–	(42,136)
Impairment loss on a property	(87,955)	–	–	–	–	–	–	–	(87,955)
Impairment loss on loan to and amounts due from an associate	(695,099)	–	–	–	–	–	–	–	(695,099)
Reportable segment profit after non-recurring expenses	(274,048)	41,340	410,354	(30,661)	17,309	11,055	–	(1,000)	174,349
Interest income	42,509	634	9,286	209	–	1,874	–	–	54,512
Finance costs	–	–	–	–	–	(6,441)	–	–	(6,441)
Depreciation and amortisation	(235,673)	(15,234)	(6,561)	(4,503)	(509)	(18,794)	–	–	(281,274)
Additions to non-current assets*	264,610	42,081	9,736	778	4,626	1,441	–	–	323,272

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit is provided as follows:

	2016 HK$'000	2015 HK$'000
Reportable segment profit	**558,855**	174,349
Share of losses of joint ventures	**(1,791)**	(15,143)
Share of losses of associates	**(4,126)**	(32,766)
Profit before income tax and discontinued operations	**552,938**	126,440

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2016 and 2015.

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

	2016 HK$'000	2015 HK$'000
Hong Kong	**3,039,285**	3,324,864
Malaysia and Singapore	**527,894**	548,504
Mainland China	**350,837**	270,993
USA and Canada	**130,845**	144,885
Australia	**55,454**	62,425
Vietnam	**48,602**	47,825
Europe	**10,050**	9,200
Other countries	**47,341**	46,029
	4,210,308	4,454,725

An analysis of the Group's non-current assets, other than financial instruments and deferred income tax assets, by geographical location is as follows:

	2016 HK$'000	2015 HK$'000
Hong Kong	**2,089,529**	1,765,755
Taiwan	**93,081**	817,876
Mainland China	**76,410**	80,251
USA and Canada	**17,162**	18,616
Australia	**1,759**	3,086
Other countries	**661**	680
	2,278,602	2,686,264

6 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2015	62,773	2,433,615	35,827	2,807,946	880,776	57,664	6,278,601
Exchange differences	340	23,566	(505)	11,113	(149)	199	34,564
Additions	21,394	3,568	1,743	141,597	112,285	9,004	289,591
Disposals	–	–	(195)	(118,500)	(13,831)	(3,530)	(136,056)
Disposal of subsidiaries	(14,204)	(411,611)	(2,077)	(535,264)	(35,610)	(13,661)	(1,012,427)
Transferred to investment properties (Note 7)	–	(840,977)	–	–	–	–	(840,977)
Transferred to disposal assets (note (c))	(70,303)	(46,632)	–	–	–	–	(116,935)
At 31 December 2015	–	1,161,529	34,793	2,306,892	943,471	49,676	4,496,361
At 1 January 2016	–	1,161,529	34,793	2,306,892	943,471	49,676	4,496,361
Exchange differences	–	(615)	(140)	(43)	(252)	(7)	(1,057)
Acquisition of subsidiaries (Note 38)	–	22,928	10,512	338,074	26,127	444	398,085
Additions	–	–	10,226	193,687	216,815	5,942	426,670
Disposals	–	–	(459)	(81,447)	(5,593)	(4,452)	(91,951)
At 31 December 2016	**–**	**1,183,842**	**54,932**	**2,757,163**	**1,180,568**	**51,603**	**5,228,108**
Accumulated depreciation and impairment							
At 1 January 2015	–	611,350	30,251	1,969,489	559,143	40,203	3,210,436
Exchange differences	–	1,733	(384)	8,460	(247)	104	9,666
Charge for the year	–	48,683	2,681	170,157	56,822	5,355	283,698
Written back on disposals	–	–	(162)	(115,985)	(11,739)	(3,530)	(131,416)
Disposal of subsidiaries	–	(1,684)	(1,078)	(406,575)	(24,321)	(8,786)	(442,444)
Transferred to investment properties (Note 7)	–	(112,391)	–	–	–	–	(112,391)
Transferred to disposal assets (note (c))	–	(8,552)	–	–	–	–	(8,552)
At 31 December 2015	–	539,139	31,308	1,625,546	579,658	33,346	2,808,997
At 1 January 2016	–	539,139	31,308	1,625,546	579,658	33,346	2,808,997
Exchange differences	–	(162)	(99)	(92)	(166)	(7)	(526)
Acquisition of subsidiaries (Note 38)	–	19,423	10,324	333,801	21,685	444	385,677
Charge for the year (Note 25)	–	46,109	3,758	188,039	81,232	6,875	326,013
Written back on disposals	–	–	(375)	(79,240)	(5,293)	(4,452)	(89,360)
At 31 December 2016	**–**	**604,509**	**44,916**	**2,068,054**	**677,116**	**36,206**	**3,430,801**
Net book value							
At 31 December 2016	**–**	**579,333**	**10,016**	**689,109**	**503,452**	**15,397**	**1,797,307**
At 31 December 2015	–	622,390	3,485	681,346	363,813	16,330	1,687,364

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK$5,891,000 (2015: HK$2,564,000) as they were not ready in use at the year end.

(b) At 31 December 2016, the net book values of leasehold land held under finance leases were analysed as follows:

	2016 **HK$'000**	2015 HK$'000
Leases of between 10 to 50 years	**138,172**	142,740
Leases of over 50 years	**5,015**	5,179
	143,187	147,919

(c) Construction in progress as at 31 December 2015 comprised a building being constructed in Hong Kong. Due to the change in the strategic business development, the Group decided to cease the development of the construction of a facility nearby Tseung Kwan O Industrial Estate. The related sites have been surrendered to Hong Kong Science and Technology Parks Corporation on 5 February 2016. An impairment loss of HK$87,955,000 (representing net book value of the related sites less the refundable amount of HK$20,428,000) was provided at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2015	12,409
Transferred from property, plant and equipment (Note 6)	840,977
Exchange differences	(48,806)
At 31 December 2015	804,580
At 1 January 2016	804,580
Additions	653
Disposal (note (a))	(705,967)
Exchange differences	24,811
At 31 December 2016	**124,077**
Accumulated depreciation	
At 1 January 2015	2,207
Charge for the year	12,710
Transferred from property, plant and equipment (Note 6)	112,391
Exchange differences	(7,037)
At 31 December 2015	120,271
At 1 January 2016	120,271
Charge for the year (Note 25)	9,019
Disposal (note (a))	(109,816)
Exchange differences	3,631
At 31 December 2016	**23,105**
Net book value	
At 31 December 2016	**100,972**
At 31 December 2015	684,309
Fair values (note (c))	
At 31 December 2016	**187,781**
At 31 December 2015	1,156,529

Notes:

(a) As more fully explained in Note 1 in respect of the disposal of investment properties, the properties located at Neihu District have been disposed of during the year.

(b) As at 31 December 2016, no land and building was pledged. As at 31 December 2015, land and building with net book value of HK$583,701,000 was pledged to secure a bank loan granted to a subsidiary of the Group.

7 INVESTMENT PROPERTIES (continued)

Notes:

(c) The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuations were determined using the direct comparison approach with reference to the comparable properties in close proximity and investment approach with reference to current market rental, where appropriate. The most significant inputs into these valuation approaches are unit price and unit rent per square foot or square metre. The current use of investment properties equates to the highest and best use. As at 31 December 2016 and 2015, the fair value measurement of the investment properties is included in level 3.

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016 **HK$'000**	2015 HK$'000
At 1 January	**59,948**	66,378
Amortisation (Note 25)	**(3,046)**	(3,220)
Exchange differences	**(2,352)**	(3,210)
At 31 December	**54,550**	59,948

9 INTANGIBLE ASSETS

	Goodwill **HK$'000**	**Software development cost** **HK$'000**	**Total** **HK$'000**
At 1 January 2015			
Cost	121,537	–	121,537
Accumulated impairment	(5,894)	–	(5,894)
Net book amount	115,643	–	115,643
Year ended 31 December 2015			
Opening net book amount	115,643	–	115,643
Additions	–	26,976	26,976
Goodwill written off (Note 31(d))	(116,719)	–	(116,719)
Exchange differences	1,076	–	1,076
Closing net book amount	–	26,976	26,976
At 31 December 2015			
Cost	–	26,976	26,976
Accumulated amortisation	–	–	–
Net book amount	–	26,976	26,976

9 INTANGIBLE ASSETS (continued)

	Goodwill HK$'000	Software development cost HK$'000	Total HK$'000
Year ended 31 December 2016			
Opening net book amount	–	26,976	26,976
Additions	–	32,442	32,442
Amortisation charge (Note 25)	–	(115)	(115)
Closing net book amount	–	**59,303**	**59,303**
At 31 December 2016			
Cost	–	59,418	59,418
Accumulated amortisation	–	(115)	(115)
Net book amount	–	**59,303**	**59,303**

10 INTERESTS IN JOINT VENTURES

	2016 **HK$'000**	2015 HK$'000
Investment cost	**5,569**	5,912
Less: accumulated share of losses	**(5,569)**	(5,912)
	–	–
Funds advanced to joint ventures (note (a))	**49,340**	54,398
Loan to a joint venture (note (b))	–	2,956
Interest receivable from a joint venture	–	337
	49,340	57,691
Less: share of losses in excess of investment costs	**(29,147)**	(28,058)
	20,193	29,633

10 INTERESTS IN JOINT VENTURES (continued)

	2016 HK$'000	2015 HK$'000
At 1 January	**29,633**	44,909
Add: investment costs (Note 31(d))	**–**	907,829
Add: loan to a joint venture	**–**	300,902
Add: fund advanced to a joint venture	**–**	13,044
Less: repayment of loan	**(2,917)**	(155,863)
Less: repayment of fund advanced	**(4,400)**	–
Add: interest receivables from joint ventures	**35**	3,735
Less: interest received	**(367)**	(2,488)
Share of losses for the year – continuing operations	**(1,791)**	(15,143)
Share of profits for the year – discontinued operations	**–**	35,922
Share of other comprehensive income for the year	**–**	(34)
Exchange differences	**–**	(75,821)
Transferred to non-current asset held for sale	**–**	(884,854)
Transferred to loan and receivables	**–**	(142,505)
At 31 December	**20,193**	29,633

Notes:

(a) The Group has advanced in aggregate HK$10,359,000 (2015: HK$12,417,000) to上海翡翠珍宝文化传媒有限公司 ("上海翡翠珍宝") for daily operations and HK$38,981,000 (2015: HK$41,981,000) to Concept Legend Limited ("Concept Legend") for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment. Management considered that the Group's share of losses in excess of investment costs of HK$29,147,000 (2015: HK$28,058,000) against the loan and funds advanced to the joint ventures is adequate.

(b) The amount represented a loan made to上海翡翠珍宝for its daily operations. The loan had been fully repaid during the year.

(c) As at 31 December 2016 and 2015, the carrying amounts of the advances approximated their fair values. The fair values are based on discounted cash flows and are included in level 2 fair value hierarchy.

Details of the joint ventures are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK$1 each	50%
# 上海翡翠珍宝文化传媒有限公司	The People's Republic of China	Provision of advertising and management services	Registered capital of RMB10,000,000	50.1%

Joint ventures held indirectly by the Company

10 INTERESTS IN JOINT VENTURES (continued)

All joint ventures are private companies and there are no quoted market prices available for their shares. They are all accounted for using the equity method.

There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

The joint ventures are strategic for the Group's investments in the Hong Kong movie market and the China advertising market.

Summarised statements of financial position of the joint ventures and reconciliations to the carrying amount of the Group's share of net liabilities of the joint ventures:

	As at 31 December 2016#	As at 31 December 2015		
	Concept Legend HK$'000	Concept Legend HK$'000	上海翡翠珍宝 HK$'000	Total HK$'000
Assets				
Cash and cash equivalents	**23,912**	26,305	1,069	27,374
Other current assets (excluding cash and cash equivalents)	**29,163**	36,462	13,137	49,599
Total current assets	**53,075**	62,767	14,206	76,973
Total non-current assets	**–**	–	86	86
	53,075	62,767	14,292	77,059
Liabilities				
Current financial liabilities (excluding trade payables)	**(76,462)**	(79,462)	–	(79,462)
Other current liabilities (including trade payables)	**(14,189)**	(8,001)	(44,027)	(52,028)
Total current liabilities	**(90,651)**	(87,463)	(44,027)	(131,490)
Total non-current financial liabilities	**–**	–	(3,272)	(3,272)
	(90,651)	(87,463)	(47,299)	(134,762)
Net liabilities	**(37,576)**	(24,696)	(33,007)	(57,703)
Interest in joint ventures (50% for Concept Legend; 50.1% for 上海翡翠珍宝)	**(18,788)**	(12,348)	(16,537)	(28,885)
Less: unrecognised share of losses of joint ventures	**–**	–	827	827
Carrying value*	**(18,788)**	(12,348)	(15,710)	(28,058)

* excluding fund advanced, loan and interest receivable

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

	For the year ended 31 December 2016[#]	For the year ended 31 December 2015		
	Concept Legend HK$'000	Concept Legend HK$'000	上海翡翠珍宝 HK$'000	Total HK$'000
Revenue	**5,447**	42,850	53,046	95,896
Depreciation	**–**	–	(316)	(316)
Loss from operations	**(12,879)**	(500)	(26,235)	(26,735)
Income tax expense	**–**	–	(5,228)	(5,228)
Post-tax loss for the year	**(12,879)**	(500)	(31,463)	(31,963)
Other comprehensive income				
Currency translation differences	**–**	–	1,560	1,560
Total comprehensive income	**(12,879)**	(500)	(29,903)	(30,403)
Dividends received from joint ventures	**–**	–	–	–

\# The financial position and result of 上海翡翠珍宝 is not presented in 2016 as this joint venture ceased business in 2016. The carrying value of interests in this joint venture has been fully impaired as at 31 December 2016.

11 INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Investment costs (note (a) and (b))	**174,000**	736,813
Less: accumulated share of losses	**(4,126)**	(736,813)
Less: accumulated share of other comprehensive income	**(9,951)**	–
	159,923	–
Loan to an associate	**–**	719,212
Interest receivable from an associate	**–**	23,234
	159,923	742,446
Less: share of losses in excess of investment costs	**–**	(151,035)
Less: provision for impairment loss	**–**	(591,411)
	159,923	–

Notes:

(a) During the year, the Group has invested HK$174,000,000 in an associate holding an investment in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in, inter-alia, movie and entertainment related businesses.

(b) As more fully explained in Note 1 in respect of further acquisition of TVBPVH, the associate had become a non wholly-owned subsidiary of the Group and its results and financial position have been consolidated into the Group's financial statements since the date of acquisition of the additional interest.

11 INTERESTS IN ASSOCIATES (continued)

Details of the material associates are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest 2016	2015
#Shine Investment Limited	Cayman Islands	Investment holding	Voting Class A Shares of US$1 each	§**15%**	–
			Non-voting Class B Shares of US$1 each	§**100%**	–
*TVB Pay Vision Holdings Limited (note (b))	Hong Kong	Investment holding	Ordinary shares of HK$1 each	–	Δ15%
			Non-voting preferred shares of HK$1 each	–	Δ100%
*TVB Network Vision Limited (note (b))	Hong Kong	Domestic pay television programme service	Ordinary shares of HK$1 each	–	Δ90%

\# An associate held directly by the Company

* An associate held indirectly by the Company

§ The Group holds 40% economic interest in Shine Investment Limited.

Δ The Group's equity interest was 90% and its voting interest remained at 15% as at 31 December 2015. The Group has the right of first refusal to acquire additional interests in the associate before the remaining shareholders may enter into a transaction of shares transfer with other parties.

The Group did not share further loss of TVBPVH group during the year as the total cost of investment, a long-term loan and amounts due from this associate has been fully impaired.

All associates are private companies and there are no quoted market prices available for their shares. They are all accounted for using the equity method.

There are no contingent liabilities relating to the Group's interests in the associates.

The associates are strategic for the Group's investment in the movie and television industries.

11 INTERESTS IN ASSOCIATES (continued)

Summarised statement of financial position of the associates and reconciliation to the carrying amount of the Group's share of net assets/(liabilities) of the associates:

	As at 31 December 2016 ***Shine Investment Limited*** **HK$'000**	As at 31 December 2015 *TVBPVH group* HK$'000
Assets		
Cash and cash equivalents	**–**	92,777
Other current assets (excluding cash and cash equivalents)	**1,138**	49,310
Total current assets	**1,138**	142,087
Interest in an associate	**399,019**	–
Other non-current assets	**–**	100,112
Total non-current assets	**399,019**	100,112
	400,157	242,199
Liabilities		
Current financial liabilities (excluding trade payables)	**(350)**	(50,000)
Other current liabilities (including trade payables)	**–**	(651,592)
Total current liabilities	**(350)**	(701,592)
Total non-current financial liabilities	**–**	(692,446)
	(350)	(1,394,038)
Net assets/(liabilities)	**399,807**	(1,151,839)
Interest in associates (2016: 40% for Shine Investment Limited; 2015: 90% for TVBPVH group)	**159,923**	(1,036,655)
Less: unrecognised share of losses of associates	**–**	26,041
	159,923	(1,010,614)
Goodwill	**–**	859,579
Carrying value*	**159,923**	(151,035)

* excluding loan and interest receivable, and impairment provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTERESTS IN ASSOCIATES (continued)

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2016 ***Shine Investment Limited*** **HK$'000**	For the year ended 31 December 2015 *TVBPVH group* HK$'000
Revenue	**–**	225,010
Depreciation	**–**	(15,222)
Loss from operations	**–**	(65,341)
Share of losses of associate	**(10,315)**	–
Post-tax loss for the year	**(10,315)**	(65,341)
Other comprehensive income	**(24,878)**	–
Total comprehensive income	**(35,193)**	(65,341)
Dividends received from associate	**–**	–

The Group does not recognise further losses and total comprehensive income for its other immaterial associate for the years ended 31 December 2016 and 2015 because the Group's share of losses in this immaterial associate has accumulated up to its interest in the associate. The Group has shared cumulative losses of HK$1,225,000 (2015: HK$1,225,000) of this immaterial associate.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
At 1 January	**47,436**	3
Additions	**–**	47,433
At 31 December	**47,436**	47,436

Details of material available-for-sale financial asset are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particular of issued shares held	Percentage of ownership interest
CMC Flagship Limited	Cayman Islands	Cayman Islands	Investment holding	Ordinary shares of US$1 each	10%

This available-for-sale financial asset is denominated in US dollars and its carrying value approximates its fair value and are included in level 3 fair value hierarchy. 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.

13 HELD-TO-MATURITY FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Non-current		
Bond securities at amortised costs:		
Unlisted	21,368	–
Listed in Hong Kong	312,849	–
Listed in other countries	189,292	–
	523,509	–
Current		
Certificates of deposit		
Unlisted	775,400	–
	1,298,909	–

The interests of the bond securities are ranging from 3.55% to 6.375% 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 carry fixed interests of 1.13% per annum with maturity date on 23 January 2017. They are denominated in the US dollars.

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

14 LOAN AND RECEIVABLES

The amount in 2015 comprised loan to and interest receivables from Liann Yee Group. Liann Yee Group early repaid all loan and receivables in 2016.

15 STOCKS

At 31 December 2016 and 2015, all stocks were stated at the lower of cost and net realisable value.

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Non-current		
Prepayments related to capital expenditure	**86,354**	55,529
Current		
Trade receivables from:		
Joint ventures (Note 39(c))	**–**	1,655
Associates (Note 39(c))	**30,743**	615,251
Related parties (Note 39(c))	**40,679**	47,162
Third parties (note)	**1,278,735**	1,381,240
	1,350,157	2,045,308
Less: provision for impairment loss on receivables from:		
Associates	**(1,443)**	(615,131)
Third parties	**(180,911)**	(104,622)
Amounts due from associates	**–**	131
Other receivables, prepayments and deposits	**503,517**	540,831
	1,671,320	1,866,517
	1,757,674	1,922,046

Note:

The Group operates a controlled credit policy and allows an average credit period of forty to sixty days to the majority of the Group's customers who satisfy the credit evaluation of the Group. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

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

	2016 HK$'000	2015 HK$'000
Current	**446,273**	478,583
1–2 months	**219,035**	333,377
2–3 months	**194,608**	193,230
3–4 months	**122,788**	179,911
4–5 months	**100,275**	94,878
Over 5 months	**267,178**	765,329
	1,350,157	2,045,308

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The percentages of amounts of trade receivables (before impairment loss) are denominated in the following currencies:

	2016 %	2015 %
Hong Kong dollars	**78**	83
US dollars	**8**	6
Malaysian Ringgit	**3**	2
Renminbi	**10**	8
Other currencies	**1**	1
	100	100

As at 31 December 2016, trade receivables past due but not impaired were aged as follows:

	2016 HK$'000	2015 HK$'000
Up to 5 months	**480,322**	626,892
Over 5 months to 1 year	**103,151**	63,726
Over 1 year	**3,188**	15,613
	586,661	706,231

Receivables that were past due but not impaired relate to customers that have a good trade record with the Group. Management believes that no impairment allowance is necessary for these balances.

As at 31 December 2016, trade receivables which were impaired were aged as follows:

	2016 HK$'000	2015 HK$'000
Up to 5 months	**21,515**	33,763
Over 5 months to 1 year	**53,689**	89,984
Over 1 year	**107,150**	596,006
	182,354	719,753

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**719,753**	494,380
Acquisition of subsidiaries	**10,309**	–
Provision for impairment loss		
– Associates	**19,841**	193,505
– Third parties	**69,443**	36,490
Reversal of provision for impairment loss		
– Third parties	**(2,609)**	(3,690)
Reclassification of amounts due from an associate to amounts due from a subsidiary*	**(633,529)**	–
Receivables written off as uncollectible	**(695)**	(538)
Disposal of subsidiaries	**–**	(134)
Exchange differences	**(159)**	(260)
At 31 December	**182,354**	719,753

* The amount represented provision made for trade receivables due from TVB Network Vision. Following the further acquisition of TVBPVH (the holding company of TVB Network Vision as more fully explained in Note 1), TVBPVH became a subsidiary of the Group and the provision for impairment was eliminated upon consolidation.

The carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

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.

17 RESTRICTED CASH

	2016 HK$'000	2015 HK$'000
Pledged bank deposits and cash kept at banks	**6,113**	1,825

The restricted cash was used to secure banking and credit facilities granted to certain subsidiaries of the Group.

The carrying amount of restricted cash approximates its fair value.

18 BANK DEPOSITS MATURING AFTER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Bank deposits maturing after three months	**676,993**	691,387
Cash at bank and on hand	**427,155**	264,440
Short-term bank deposits	**5,093,807**	1,861,535
Cash and cash equivalents	**5,520,962**	2,125,975
	6,197,955	2,817,362

Note:

The maximum exposure to credit risk on bank balances is represented by the carrying amount in the consolidated statement of financial position. The carrying amounts of the bank deposits maturing after three months and cash and cash equivalents approximate their fair values.

Bank deposits maturing after three months and cash and cash equivalents are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars	**660,305**	1,050,555
US dollars	**4,013,515**	988,546
Renminbi	**346,403**	740,447
New Taiwan dollars	**1,167,754**	26,287
Other currencies	**9,978**	11,527
	6,197,955	2,817,362

19 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2015 and 31 December 2015 and 1 January 2016 and 31 December 2016	**438,000**	**664,044**

20 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 2015	70,000	(191)	187,936	(98,504)	159,241
Transferred from retained earnings	–	–	3,882	–	3,882
Currency translation differences:					
– Group	–	–	–	(38,564)	(38,564)
– Joint ventures	–	–	–	(34)	(34)
Reclassification adjustment to profit or loss on disposal of subsidiaries	–	–	–	7,531	7,531
Disposal of subsidiaries	–	(864)	(155,152)	–	(156,016)
Loss previously in reserve released to profit or loss on disposal of subsidiaries	–	1,055	–	–	1,055
Balance at 31 December 2015	70,000	–	36,666	(129,571)	(22,905)
Balance at 1 January 2016	70,000	–	36,666	(129,571)	(22,905)
Transferred from retained earnings	–	–	2,847	–	2,847
Currency translation differences:					
– Group	–	–	–	30,691	30,691
– Joint ventures	–	–	–	1,060	1,060
– Associate	–	–	–	(9,951)	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture	–	–	–	1,311	1,311
Balance at 31 December 2016	**70,000**	**–**	**39,513**	**(106,460)**	**3,053**

Capital reserve – in accordance with the local regulations of a subsidiary in Taiwan, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve which can only be used to cover operating losses; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

Legal reserve – in accordance with the local laws in Taiwan, Taiwan subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 100% of those subsidiaries' share capital; in accordance with the local laws in the PRC, the PRC subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 50% of those subsidiaries' registered capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital/registered capital.

Translation reserve – the translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4.

21 TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Trade payables to:		
Joint ventures (Note 39(c))	–	5,123
Associates (Note 39(c))	–	7,205
Related parties (Note 39(c))	**4,404**	5,243
Third parties	**119,193**	131,995
	123,597	149,566
Receipts in advance, deferred income and customers' deposits	**221,657**	121,221
Provision for employee benefits and other expenses	**207,741**	163,906
Accruals and other payables	**367,684**	251,504
	920,679	686,197

At 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:

	2016 HK$'000	2015 HK$'000
Current	**61,422**	117,911
1–2 months	**36,778**	17,853
2–3 months	**19,376**	7,180
3–4 months	**4,109**	1,718
4–5 months	**333**	1,211
Over 5 months	**1,579**	3,693
	123,597	149,566

The percentages of amounts of trade payables are denominated in the following currencies:

	2016 %	2015 %
Hong Kong dollars	**58**	41
US dollars	**33**	29
Renminbi	**5**	24
Other currencies	**4**	6
	100	100

The carrying amounts of trade and other payables and accruals approximate their fair values.

22 BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current		
Long-term bank loan, secured (note (a))	–	234,850
Notes, unsecured (note (b))	**3,842,493**	–
Total borrowings	**3,842,493**	234,850

At 31 December 2016, borrowings were repayable as follows:

	2016 HK$'000	2015 HK$'000
Between 1 and 2 years	–	10,538
Between 2 and 5 years	**3,842,493**	54,196
Over 5 years	–	170,116
	3,842,493	234,850

Notes:

(a) The long-term bank loan of HK$234,850,000 was fully repaid during the year.

(b) Details of the notes as at 31 December 2016 are as follows:

	2016 HK$'000	2015 HK$'000
Principal amount	**3,878,250**	–
Notes issuance cost	**(36,130)**	–
Net proceeds received	**3,842,120**	–
Accumulated amortised amounts of notes issuance cost	**1,623**	–
Exchange differences	**(1,250)**	–
	3,842,493	–

5-year notes due 2021 with principal amount of US$500,000,000 were issued by a subsidiary of the Company on 11 October 2016. The notes bear interest from 11 October 2016 at the rate of 3.625% per annum, payable semi-annually in arrear on 11 April and 11 October in each year commencing on 11 April 2017. The carrying value of the notes approximates its fair value and is within level 2 of fair value hierarchy.

23 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the statement of financial position are analysed as follows:

	2016 HK$'000	2015 HK$'000
Net deferred income tax assets recognised on the statement of financial position	**(36,633)**	(37,299)
Net deferred income tax liabilities recognised on the statement of financial position	**346,819**	321,776
	310,186	284,477

The movements in the deferred income tax liabilities/(assets) account are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**284,477**	157,551
Exchange differences	**456**	1,012
Recognised in the income statement (note)	**25,253**	119,270
Disposal of subsidiaries	**–**	6,644
At 31 December	**310,186**	284,477

Note:

The amount recognised in 2016 included deferred income tax expenses of HK$7,076,000 (2015: HK$135,386,000) recorded under discontinued operations.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2016, the Group has unrecognised tax losses of HK$2,556,581,000 (2015: HK$163,091,000) to be carried forward against future taxable income. The tax losses unrecognised in 2016 included unrecognised tax losses of TVBPVH group arising from business combination (Note 38). These tax losses will expire as follows:

	2016 HK$'000	2015 HK$'000
After the fifth year	**1,612**	2,930
No expiry date	**2,554,969**	160,161
At 31 December	**2,556,581**	163,091

23 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	122,219	73,873	196,092
Recognised in the income statement	8,774	126,909	135,683
Exchange differences	96	–	96
At 31 December 2015	131,089	200,782	331,871
Recognised in the income statement	29,934	42,632	72,566
Exchange differences	(8)	–	(8)
At 31 December 2016	**161,015**	**243,414**	**404,429**

Deferred income tax assets

	Retirement benefit obligations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	5,420	70	33,051	38,541
Recognised in the income statement	–	10,856	5,557	16,413
Disposal of subsidiaries	(5,552)	–	(1,092)	(6,644)
Exchange differences	132	–	(1,048)	(916)
At 31 December 2015	–	10,926	36,468	47,394
Recognised in the income statement	–	52,114	(4,801)	47,313
Exchange differences	–	–	(464)	(464)
At 31 December 2016	**–**	**63,040**	**31,203**	**94,243**

24 RETIREMENT BENEFIT OBLIGATIONS

No forfeited contribution was utilised during the years 2015 and 2016.

Contributions totalling HK$7,281,000 (2015: HK$7,186,000) were payable to the fund at the year end and are included in other payables and accruals.

25 PROFIT BEFORE INCOME TAX

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

	2016 HK$'000	2015 HK$'000
Continuing operations		
Net exchange losses		
(including exchange losses on Renminbi fixed term deposits)	**25,995**	126,793
Gross rental income from investment properties	**(22,431)**	(21,436)
Direct operating expenses arising from investment properties	**3,099**	2,994
Loss on disposals of property, plant and equipment	**490**	1,178
Auditors' remuneration		
– Audit services	**4,644**	4,479
– Non-audit services	**4,093**	2,802
Cost of programmes and film rights	**1,758,531**	1,514,527
Cost of movies	**20,956**	–
Cost of other stocks	**25,609**	24,296
Depreciation (Note 6 and 7)	**335,032**	278,054
Amortisation of land use rights (Note 8)	**3,046**	3,220
Amortisation of intangible assets (Note 9)	**115**	–
Operating leases		
– Equipment and transponders	**15,525**	15,227
– Land and buildings	**37,905**	32,742
Employee benefit expense		
(excluding directors' emoluments) (Note 27(a))	**1,550,086**	1,509,976
Discontinued operations		
Cost of programmes, film rights and stocks	**–**	39,324
Depreciation	**–**	18,354
Employee benefit expense (excluding directors' emoluments)	**–**	87,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of all Directors and the chief executive for the years ended 31 December 2016 and 2015 are set out below:

	2016				
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Charles Chan Kwok Keung	756	–	–	–	756
Li Ruigang	98	–	–	–	98
Mark Lee Po On (note (i))	220	6,143	2,700	596	9,659
Cheong Shin Keong	220	4,850	1,606	485	7,161
Mona Fong	220	–	–	–	220
Anthony Lee Hsien Pin	395	–	–	–	395
Chen Wen Chi	370	–	–	–	370
Thomas Hui To	370	–	–	–	370
Raymond Or Ching Fai	550	–	–	–	550
William Lo Wing Yan	555	–	–	–	555
Caroline Wang Chia-Ling	365	–	–	–	365
Allan Zeman	262	–	–	–	262
Jonathan Milton Nelson (note (ii))	95	–	–	–	95
	4,476	10,993	4,306	1,081	20,856

	2015				
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Total HK$'000
Charles Chan Kwok Keung	750	–	–	–	750
Mark Lee Po On (note (i))	220	5,833	2,700	549	9,302
Cheong Shin Keong	220	4,754	1,606	441	7,021
Mona Fong	301	–	–	–	301
Anthony Lee Hsien Pin	395	–	–	–	395
Chen Wen Chi	370	–	–	–	370
Thomas Hui To	246	–	–	–	246
Raymond Or Ching Fai	504	–	–	–	504
William Lo Wing Yan	465	–	–	–	465
Caroline Wang Chia-Ling	187	–	–	–	187
Allan Zeman	166	–	–	–	166
Jonathan Milton Nelson	220	–	–	–	220
Cher Wang Hsiueh Hong	68	–	–	–	68
Chow Yei Ching	47	–	–	–	47
	4,159	10,587	4,306	990	20,042

Notes:

(i) Mr. Mark Lee Po On assumed the functions of the chief executive of the Company.

(ii) Jonathan Milton Nelson resigned on 7 June 2016.

(b)

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

27 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

	2016 HK$'000	2015 HK$'000
Continuing operations		
Wages and salaries	**1,462,169**	1,421,054
Pension costs – defined contribution plans	**87,917**	88,922
	1,550,086	1,509,976
Discontinued operations		
Wages and salaries	–	82,746
Pension costs – defined contribution plans	–	4,057
Pension costs – defined benefit plans	–	865
	–	87,668

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: two) Directors whose emoluments are reflected in the analysis presented in Note 26(a) above. The emoluments payable to the remaining three (2015: three) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and leave pay	**10,756**	9,864
Bonuses	**2,400**	2,340
Pension contributions	**464**	384
	13,620	12,588

The aggregate emoluments paid to the three individuals are further analysed into the following bands:

Emolument bands	**Number of individuals in each band** 2016	2015
HK$3,500,001 – HK$4,000,000	**1**	2
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	–	1
HK$5,500,001 – HK$6,000,000	**1**	–
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 EMPLOYEE BENEFIT EXPENSE (continued)

(c) Senior management's emoluments

Details of emoluments (excluding directors' fees, if any) paid to members of senior management fell within the following bands:

Emolument bands	*Number of individuals in each band 2016	2015
HK$1,000,001 – HK$1,500,000	**1#**	1Δ
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	2
HK$3,500,001 – HK$4,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**1**	1
HK$9,000,001 – HK$9,500,000	**1**	1
	6	6

* the above emoluments included two (2015: two) Directors of the Company

\# one employee departed from senior management with effect from 1 July 2016

Δ one employee joined senior management with effect from 1 October 2015

28 OTHER LOSSES, NET

	2016 HK$'000	2015 HK$'000
Settlement loss (Note 38)	**(70,000)**	–
Net exchange losses (note)	**(25,995)**	(84,657)
Write-off of movie investment	**(30,000)**	–
	(125,995)	(84,657)

Note:

The amount in 2015 excluded exchange losses on Renminbi fixed term deposits of HK$42,136,000.

29 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**959**	6,441
Interest on 3.625% notes (Note 22(b))	**31,232**	–
Amortised amount of transaction costs on 3.625% notes	**1,623**	–
	33,814	6,441

30 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016 HK$'000	2015 HK$'000
Current income tax:		
– Hong Kong	**42,941**	146,010
– Overseas	**44,492**	18,149
– Over provisions in prior years	**(371)**	(4,091)
Total current income tax	**87,062**	160,068
Deferred income tax:		
– Origination and reversal of temporary differences (Note 23)	**18,177**	(16,116)
	105,239	143,952

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the place where the Company operates as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**552,938**	126,440
Calculated at a taxation rate of 16.5% (2015: 16.5%)	**91,235**	20,863
Effect of different taxation rates in other countries	**7,078**	4,526
Tax effect on the share of results of associates and joint ventures	**581**	9,171
Income not subject to taxation	**(103,008)**	(44,890)
Expenses not deductible for taxation purposes	**64,465**	178,677
Tax losses not recognised	**4,048**	4,115
Utilisation of previously unrecognised tax losses	**(549)**	(375)
Tax credit allowance	**(16,021)**	(16,689)
Withholding tax on overseas dividend	**60,264**	(8,305)
Others	**(2,483)**	950
Over provisions in prior years	**(371)**	(4,091)
	105,239	143,952

31 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

As more fully explained in Note 1 in respect of the disposal of Liann Yee Group, the results of Taiwan operations together with the related gain on disposal have been presented as discontinued operations in the consolidated financial statements.

(a) Non-current asset held for sale

On 6 May 2015, the Group disposed of the 53% equity interest in Liann Yee Group ("First Disposal"), wholly-owned subsidiaries engaged in the Group's Taiwan operations. After the First Disposal, on 10 March 2016, the Group disposed of the remaining 47% equity interest in Liann Yee Group ("Second Disposal"). Accordingly, the carrying value of the remaining 47% interest in Liann Yee Group was reclassified as "Non-current asset held for sale" as at 31 December 2015.

(b) Analysis of the results of the discontinued operations

The results of Liann Yee Group for the year ended 31 December 2015 together with related gain on the First Disposal was presented as discontinued operations in the consolidated income statement as analysed below:

	2015 HK$'000
Revenue	276,081
Cost of sales	(134,684)
Gross profit	141,397
Other revenues	2,890
Selling, distribution and transmission costs	(29,831)
General and administrative expenses	(31,202)
Other losses, net	(468)
Finance costs	(1,896)
Profit before income tax	80,890
Income tax credit	2,262
Profit after income tax	83,152
Share of profit of 47% equity interest as a joint venture from 6 May 2015	35,922
Tax expenses on undistributed profit	(15,938)
Profit for the year from discontinued operations	103,136
Tax on dividend distributed prior to completion of disposal of 53% equity interest	(52,726)
Gain on disposal of subsidiaries	1,395,770
Deferred tax in relation to gain from disposal	(110,676)
	1,335,504
Profit attributable to:	
– Equity holders of the Company	1,335,504

31 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(b) Analysis of the results of the discontinued operations (continued)

On 10 March 2016, upon the completion of the Second Disposal, 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.

(c) Analysis of the cash flows of discontinued operations is as follows:

	2016 HK$'000	2015 HK$'000
Net cash inflow from operating activities	–	154,116
Net cash inflow from investing activities	**964,570**	1,151,100
Net cash outflow from financing activities	–	(553,086)
Net cash inflow from discontinued operations	**964,570**	752,130

(d) Disposal of subsidiaries

	2015 HK$'000
Net assets disposed:	
Property, plant and equipment	569,983
Deferred income tax assets	6,644
Loan to a subsidiary of the Group	63,190
Programmes and film rights	25,107
Stocks	508
Trade and other receivables, prepayments and deposits	192,388
Restricted cash	451
Bank deposits maturing after three months	2,257
Cash and cash equivalents	203,502
Loan from a subsidiary of the Group	(300,902)
Trade and other payables and accruals	(140,126)
Current income tax liabilities	(51,286)
Retirement benefit obligations	(35,198)
	536,518
Goodwill (Note 9)	116,719
Capital reserve	1,055
Exchange loss transferred from translation reserve	7,531
Expenses incurred on disposal	32,380
	694,203
Cash consideration	1,182,144
Fair value of retained interests (Note 10)	907,829
	2,089,973
Gain on disposal of subsidiaries	1,395,770
Analysis of net cash flow on disposal:	
Cash consideration received	1,182,144
Cash and cash equivalents disposed of	(203,502)
Net cash inflow from disposal of subsidiaries	978,642

32 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated based on the Group's profit attributable to equity holders of HK$499,945,000 (2015: HK$1,331,223,000) and 438,000,000 shares in issue throughout the years ended 31 December 2016 and 2015. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	2016 **HK$'000**	2015 HK$'000
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	**428,993**	(4,281)
– Discontinued operations	**70,952**	1,335,504
	499,945	1,331,223

33 DIVIDENDS

	2016 **HK$'000**	2015 HK$'000
Interim dividend paid of HK$0.60 (2015: HK$0.60) per ordinary share	**262,800**	262,800
Proposed final dividend of nil (2015: HK$2.00) per ordinary share	**–**	876,000
	262,800	1,138,800

The Directors did not recommend a final dividend for the year ended 31 December 2016.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	**630,966**	1,639,022
Adjustments for:		
Depreciation and amortisation	**338,193**	299,628
Defined benefit plans	**–**	(277)
Impairment loss on loan to and amounts due from an associate	**22,986**	501,594
Provision for impairment loss on trade receivables	**69,443**	229,995
Reversal of provision for impairment loss on trade receivables	**(2,609)**	(3,690)
Write-back of impairment loss on amounts due from an associate arising from business combination	**(70,636)**	–
Settlement loss (Note 38)	**70,000**	–
Provision for impairment loss of a property	**–**	87,955
Share of losses/(profits) of joint ventures	**1,791**	(20,779)
Share of losses of associates	**4,126**	32,766
Gain on disposal of a joint venture	**(78,028)**	–
Gain on disposal of subsidiaries	**–**	(1,395,770)
Gain on disposal of investment properties	**(279,836)**	–
Loss on disposal of property, plant and equipment	**490**	1,221
Interest income	**(50,260)**	(55,374)
Finance costs	**33,814**	6,679
Exchange differences	**29,425**	150,139
	719,865	1,473,109
Increase in programmes, film rights, movies and stocks	**(12,307)**	(5,182)
Decrease/(increase) in trade and other receivables, prepayments and deposits	**146,568**	(84,409)
Increase in trade and other payables and accruals	**110,316**	27,742
Cash generated from operations	**964,442**	1,411,260

35 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	2016 HK$'000	2015 HK$'000
Guarantees for banking facilities granted to an investee company	**7,505**	7,263

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 statement of financial position.

36 COMMITMENTS

(a) Capital commitments

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

	2016 **HK$'000**	2015 HK$'000
Contracted for but not provided for	**300,462**	166,297

(b) Contractual programme rights and programme contents commitments

The amounts of commitments for programme rights and programme contents are as follows:

	2016 **HK$'000**	2015 HK$'000
Programme rights and programme contents commitments	**291,694**	181,961

(c) Operating lease commitments as lessee

The amounts of future aggregate minimum lease payments under non-cancellable operating leases which fall due are as follows:

	2016 **HK$'000**	2015 HK$'000
Land and buildings		
– not later than one year	**36,104**	11,037
– later than one year and not later than five years	**35,894**	6,486
	71,998	17,523
Equipment and transponders		
– not later than one year	**17,334**	13,078
– later than one year and not later than five years	**15,598**	16,672
	32,932	29,750
	104,930	47,273

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under non-cancellable operating lease agreements.

The lease expenditure expensed in the consolidated income statement during the year is disclosed in Note 25.

36 COMMITMENTS (continued)

(d) Operating lease commitments as lessor

At 31 December 2016, the Group had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK$'000	2015 HK$'000
Land and buildings		
– not later than one year	**3,251**	9,699
– later than one year and not later than five years	**3,440**	17,819
	6,691	27,518

37 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.

38 BUSINESS COMBINATIONS

As more fully explained in Note 1 in respect of the acquisition of TVBPVH, on 9 November 2016, the Group acquired further equity interest of TVBPVH for HK$70,000,000 and obtained the control of it. The reason for the purchase was to enable the Group to use this vehicle as a subsidiary to further its new business.

The Group is required to recognise the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the date when the Group obtains the majority stake and control of the acquired companies. At the date of acquisition, the carrying value of the Group's previously held equity interest in TVBPVH group approximate its fair value. Accordingly, no remeasurement gain or loss is recognised in the consolidated income statement.

The following table summarises the consideration paid for TVBPVH, the fair value of assets acquired, the liabilities assumed and the non-controlling interests at the acquisition date.

38 BUSINESS COMBINATIONS (continued)

	2016 HK$'000
Purchase consideration settled in cash	70,000
Settlement loss (note)	(70,000)
	–
Fair value of net liabilities acquired	(1,308,484)
Loan to and amounts due from the associate (previously impaired)	1,379,120
Write-back of impairment loss on amounts due from the associate	(70,636)
Non-controlling interests	–
Goodwill on acquisition	–

Note:

The settlement loss amount represents the value of unfavourable element encountered by the Company from the contractual relationship that existed prior to the acquisition of TVBPVH group with reference to the current market.

	2016 HK$'000
Net liabilities acquired	
Property, plant and equipment	12,408
Trade and other receivables, prepayments and deposits	30,521
Restricted cash	4,500
Bank deposits maturing after three months	546
Cash and cash equivalents	112,667
Trade and other payables and accruals	(93,008)
Loan and interest receivables due to the Group	(745,591)
Amounts due to the Group	(633,529)
Amounts due from the Group	3,002
Fair value of net liabilities acquired	(1,308,484)
Analysis of net cash flow on acquisition:	
Cash and cash equivalents acquired	112,667
Cash consideration paid	(70,000)
Net cash inflow from acquisition	42,667

The revenue included in the consolidated income statement since 9 November 2016 contributed by TVBPVH group was HK$11,644,000. TVBPVH group also attributed loss of HK$6,584,000 over the same period.

Had TVBPVH group been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of HK$4,284,703,000 and pro-forma profit of HK$362,005,000 for the year.

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	2016 HK$'000	2015 HK$'000
Sales of services:			
Joint ventures			
Rental income	(i)	**5,240**	18,380
Technical and facilities services fees	(i)	**1,480**	5,372
*Movie production charges	(ii)	**–**	891
Associates			
Programmes and channel licensing fees	(iii)	**443**	57,894
Technical and operational service fees	(iii)	**10,200**	12,240
Rental income and related charges	(iii)	**6,707**	7,999
Service fees	(iv)	**29,300**	–
Others	(iii)	**9,853**	2,906
Other related party			
*Programmes and channel licensing fees	(v)	**188,727#**	229,907#
*Advertising consultancy fees	(v)	**22,944#**	29,720#
		274,894	365,309
Purchases of services:			
Joint ventures			
Programmes and channel licensing fees	(i)	**(12,736)**	(42,979)
Others	(i)	**–**	(1,062)
Associates			
Playback and uplink service fees	(iii)	**(25,514)**	(30,741)
Graphic service fees	(iii)	**–**	(1,250)
Service fees	(vi)	**(1,050)**	–
Others	(iii)	**(3,919)**	(2,825)
Other related party			
*Project management fees	(vii)	**–**	(3,332)
		(43,219)	(82,189)

* These are regarded as connected transactions or continuing connected transactions as defined under Main Board Listing Rules.

\# The transaction is not subject to the reporting, announcement and independent shareholders' approval requirement due to the application of the insignificant subsidiary exemption. The transaction is a connected transaction only because it involves a person who is a connected person by virtue of its relationship with the Company's insignificant subsidiary.

39 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"), a joint venture of the Group since 6 May 2015 upon the Group's disposal of 53% equity interest in Liann Yee. Liann Yee ceased to be a joint venture upon the completion of the disposal on the remaining 47% equity interest on 10 March 2016.

(ii) The fees were received from Concept Legend Limited, a joint venture of the Group.

(iii) The fees were received from/(paid to) TVB Network Vision, an associate of the Company which has become a subsidiary since 9 November 2016 upon the further acquisition of its equity interest as more fully explained in Note 1.

(iv) The fees were received from Shaw Brothers Holdings Limited, an associate of Shine Investment Limited. Shine Investment Limited is an associate of the Group.

(v) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.

(vi) 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.

(vii) The fees were paid to ITC Properties Management Limited. The entity is controlled by a person who has significant influence over the Company, and a close member of that person's family.

(viii) The disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules have been properly complied with.

The Company supplies channel contents to TVB Network Vision (an associate of the Company which has become a subsidiary since 9 November 2016) in exchange of the advertising revenue attributable to the relevant channels.

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

(b) Key management compensation

	2016 **HK$'000**	2015 HK$'000
Salaries and other short-term employee benefits	**27,402**	25,895

(c) Balances with related parties arising from sales/purchases of services

	2016 **HK$'000**	2015 HK$'000
Receivables from joint ventures	–	1,655
Receivables from associates (note)	**30,743**	615,251
Receivables from other related parties	**40,679**	47,162
	71,422	664,068

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties arising from sales/purchases of services (continued)

	2016 HK$'000	2015 HK$'000
Payables to joint ventures	–	5,123
Payables to associates	–	7,205
Payables to other related parties	4,404	5,243
	4,404	17,571

Note:

At 31 December 2016, a provision for impairment loss of amounts due from associates of HK$1,443,000 (2015: HK$615,131,000) had been provided (Note 16).

(d) Fund advanced/loan to related parties

	2016 HK$'000	2015 HK$'000
Fund advanced to joint ventures		
Beginning of the year	54,398	41,981
Fund advanced	–	13,044
Repayment of fund advanced	(4,400)	–
Exchange differences	(658)	(627)
End of the year	49,340	54,398
Loan to joint ventures		
Beginning of the year	3,293	16,696
Loan provided	–	300,902
Interest charged	35	3,735
Repayment of loan	(2,917)	(155,863)
Interest received	(367)	(2,488)
Exchange differences	(44)	(17,184)
	–	145,798
Less: transferred to non-current asset held for sale	–	(142,505)
End of the year	–	3,293
Loan to an associate		
Beginning of the year	742,446	738,872
Interest charged	3,145	3,574
Reclassification from loan to an associate to loan to a subsidiary upon business combination (Note 38)	(745,591)	–
End of the year	–	742,446

40 EVENT SUBSEQUENT TO THE YEAR END

The Company announced that on 24 January 2017 an offer would be made to buy-back, subject to conditions, up to 138,000,000 shares, representing approximately 31.51% of the share capital of the Company, at the price of HK$30.50 per share. The offer, if accepted in full, will result in the Company paying approximately HK$4,209 million to the accepting shareholders. Subsequently, on 13 February 2017, the Company announced that the maximum number of shares to be bought back under the offer will be reduced from 138,000,000 to 120,000,000, representing 27.40% of the share capital of the Company such that at least 25% of the shares will be held by the public at all times upon the close of the revised offer. The offer price was increased from HK$30.50 to HK$35.075 per share to maintain the same aggregate consideration for the offer as the Company originally proposed.

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,490,974**	1,552,870
Land use rights	**16,992**	17,406
Intangible assets	**51,356**	26,976
Interests in subsidiaries	**400,534**	339,002
Interests in joint ventures	**26,031**	29,031
Interests in associates	**174,000**	–
Held-to-maturity financial assets	**523,509**	–
Prepayments	**49,042**	35,528
Total non-current assets	**2,732,438**	2,000,813
Current assets		
Programmes and film rights	**710,453**	675,677
Stocks	**4,070**	4,196
Trade and other receivables, prepayments and deposits	**2,259,995**	1,444,884
Tax recoverable	**45,712**	10,588
Held-to-maturity financial assets	**775,400**	–
Bank deposits maturing after three months	**620,320**	617,733
Cash and cash equivalents	**3,265,289**	1,421,876
Total current assets	**7,681,239**	4,174,954
Total assets	**10,413,677**	6,175,767

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Statement of financial position of the Company (continued)

	2016 HK$'000	2015 HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**664,044**	664,044
Other reserves	**70,000**	70,000
Retained earnings	**5,279,587**	4,604,441
Total equity	**6,013,631**	5,338,485
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**97,023**	111,580
Loan due to a subsidiary	**3,842,493**	–
Total non-current liabilities	**3,939,516**	111,580
Current liabilities		
Trade and other payables and accruals	**460,530**	725,702
Total current liabilities	**460,530**	725,702
Total liabilities	**4,400,046**	837,282
Total equity and liabilities	**10,413,677**	6,175,767

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2017 and was signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Reserve movement of the Company

	General reserve HK$'000
At 1 January 2015 and 31 December 2015 and 1 January 2016 and 31 December 2016	70,000

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 29 March 2017.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Long Wisdom Limited	2	HK$2	100	100	Properties holding
Shaw Brothers Pictures Limited	20	HK$20	100	100	Production of motion pictures for theatrical release and distribution and artiste management
TVBI Company Limited	200,000	HK$2,000,000	100	100	Programme licensing
The Voice Entertainment Group Limited	1	HK$1	100	100	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	100	100	Publishing and licensing of musical works
Art Limited	10,000	HK$10,000	73.68	–	Film licensing and distribution
TVB Anywhere Limited	10,000	HK$10,000	100	–	Provision of subscription television programmes in overseas markets
TVB (Europe) Limited	50,000	HK$500,000	100	–	Provision of subscription television programmes

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB Facilities Limited	10,000	HK$10,000	100	–	Provision of services for programme productions
TVB Publications Limited	20,000,000	HK$20,000,000	73.68	–	Magazine publications
TVB Publishing Holding Limited (note (c))	90,000,000	HK$199,710,000	73.68	–	Investment holding
TVB Satellite Broadcasting Limited	2	HK$2	100	–	Provision of programming and channel services
TVB Satellite TV (HK) Limited	2	HK$2	100	–	Provision of pay television programmes
TVB.COM Limited	2	HK$2	100	–	Hong Kong digital new media business
TVB Network Vision Limited	2	HK$2	99.99	–	Domestic pay television and teleport services
TVB Pay Vision Holdings Limited	Ordinary shares: 2	HK$2	–*	–	Investment holding
	Non-voting preferred shares: 1,085,867,757	HK$1,085,867,757	100*	–	

* The Group holds approximately 99.99% economic interest in TVBPVH.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB Finance Limited (note (b))	Cayman Island	1	HK$1	100	100	Corporate finance services
TVB Investment Limited	Bermuda	20,000	US$20,000	100	100	Investment holding
TVB Satellite TV Holdings Limited (note (b))	Bermuda	12,000	US$12,000	100	100	Investment holding
TVBO Production Limited	Bermuda	12,000	US$12,000	100	100	Owner of film rights and programme licensing
广东采星坊演艺咨询服务有限公司 (note (a))	The People's Republic of China	Not applicable	RMB10,000,000	100	100	Provision of consultancy, management and agency services to artistes
上海翡翠东方传播有限公司(note (a))	The People's Republic of China	Not applicable	RMB200,000,000	55	55	Provision of agency services on advertisements, television programmes, film rights and management services
Condor Entertainment B.V. (note (b))	The Netherlands	400	EUR18,400	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
聯意投資股份有限公司	Taiwan	75,000,000	NT$750,000,000	100	–	Investment holding
Liann Yee Asset Co., Ltd.	Taiwan	74,760,700	NT$747,607,000	100	–	Property investment
TVB (Australia) Pty. Ltd.	Australia	5,500,000	A$5,500,000	100	–	Provision of satellite and subscription television programmes
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB Macau Company Limited	Macau	Not applicable	MOP25,000	100	–	Provision of services for programme productions
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	55	–	Programme licensing
TVB Satellite Platform, Inc. (note (a))	USA	300,000	US$3,000,000	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	12,000	US$12,000	100	–	Provision of satellite and subscription television programmes
TVB (USA) Inc. (note (a))	USA	1,000	US$10,000	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom	1,000	GBP1,000	100	–	Programme licensing
TVBO Facilities Limited	Bermuda	12,000	US$12,000	100	–	Provision of services for programme productions

Notes:

None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

There is no significant contractual arrangement with the non-controlling interests.

(a) The accounts of these subsidiaries, which do not materially affect the results of the Group, have been audited by firms other than PricewaterhouseCoopers.

(b) The accounts of these subsidiaries are not audited.

(c) On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares at HK$8.60 per share to its non-controlling shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2016.

(d) Represented ordinary share capital, unless otherwise stated.

(e) All principal subsidiaries are limited liability companies.

Jade

J2

iNews

Pearl

J5

TVB Classic

Korean Drama

Japanese Drama

Chinese Drama

Asian Select

Entertainment News

Asian Variety

Food

Sports

Jade Catch Up

Travel

TVB Radio

Classic Movies

Mei Ah Movie Channel

TVBN2

Mainland News

Al Jazeera English

TVB Production SVOD

TVB Premium SVOD

Disney SVOD

Disney SVOD | Disney Channel | Disney Junior | Ani-One SVOD

CBeebies | BBC Earth | BBC Lifestyle | BBC World News | BBC First

RTL CBS Extreme | RTL CBS Entertainment | AXN | Sony Channel | Animax

beIN SPORTS 1 | beIN SPORTS 2 | Mezzo Live HD | TVBS Asia | Life Inspired

Fashion One | TVBS News | Channel NewsAsia | France 24 | DW

NHK World TV | Arirang TV

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