



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