

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

Name of director	Number of ordinary shares held					Total interests	Percentage in share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other interests			
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.

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INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of associated corporation	Name of Director	Number of ordinary shares held				Total interests	Percentage in share capital (%)
		Personal interests	Family interests	Corporate interests	Other interests		
Shine Investment Limited	Li Ruigang	–	–	102	–	102 ^{(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^f 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.

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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.

REPORT OF THE DIRECTORS

(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