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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2.23 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.

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).

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	2015
	HK$'000	HK$'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.

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

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

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

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

(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.