



CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to report on the Company's results and developments for the financial year ended 31 December 2017.

PERFORMANCE AND DIVIDENDS

The Group's revenue increased by 3% from HK\$4,210 million to HK\$4,336 million. Cost of sales rose by 1% from HK\$2,299 million to HK\$2,319 million, while total selling and general administrative expenses went up by 2% from HK\$1,589 million to HK\$1,624 million. Operating profit stabilised at HK\$543 million (2016: HK\$545 million).

The Group's finance costs increased from HK\$34 million to HK\$152 million as the full year interest cost of TVB Notes was taken up. In addition, the Group shared losses of HK\$33 million from joint ventures and associates (2016: losses of HK\$6 million). As a result, the profit attributable to equity holders for the year amounted to HK\$244 million (2016: HK\$500 million which included a non-recurring disposal gain of HK\$280 million). Earnings per share was HK\$0.56 (2016: HK\$1.14).

The Board declared interim dividends of HK\$0.60 and HK\$0.30 per share on 24 May 2017 as first interim dividend, and on 23 August 2017 as second interim dividend respectively.

For the year, the Board has recommended a final dividend and a special dividend as follows:

	Note	2017 HK\$	2016 HK\$
First interim dividend paid	1	0.60	–
Second interim dividend paid		0.30	0.60
Final dividend recommended	2	0.30	–
Total dividends		1.20	0.60
Special dividend recommended	3	0.70	–
Total dividends including special dividend		1.90	0.60

Note 1: The first interim dividend of HK\$0.60 per share was largely the result of the Board's resolution to defer any final dividend proposal for the 2016 annual results until outcome of the share buy-back offer was clarified.

Note 2: For the full year, the Board has recommended a final dividend of HK\$0.30 per share, which would make a total dividend of HK\$1.20 per share (2016: HK\$0.60 per share).

Note 3: In recognising the Company's steady dividend policy during a period of lower profitability, the Board has in addition recommended a special dividend of HK\$0.70 per share for the year. By doing so, the Board wishes to demonstrate its confidence in the Company's future.

CLEAR STRATEGIC DIRECTIONS

The Group operated against a disruptive market as a result of rapid advancements in technology. Drastic changes in lifestyle, work modalities and means of communication are taking place. Business operators need to react rapidly in order to survive and to reduce the risks of being displaced. For TVB, linear television technology had served us well in the past, but this is rapidly being disrupted by digital, namely

the Internet. Proliferation of content on the Internet and popularity of the social media have made profound impacts on TV consumption behaviour as digital platforms can provide any content, anywhere, anytime and on any types of devices, which accord with lifestyle nowadays.

Against this background, the Board has adopted three important strategic directions:

- **Raising content standard** to drive our business;
- **Developing markets** by producing platform-exclusive content for online platform partners in Mainland China; and
- **Investing in digital** and launching new OTT and social media platforms.

Major progress has been made in transformation from a terrestrial TV-based broadcaster to a digital player with substantial online distribution networks in Hong Kong and overseas. The Group now possesses a complete spectrum of media platforms spanning terrestrial TV, myTV SUPER OTT services and Big Big Channel online social media and is well-positioned to capture digital opportunities.

INVESTMENTS IN MOVIES AND TV SLATE

Beyond television, we have also invested in movie production platforms and in a TV programme slate. Since 2015, we have invested in two major movie platforms, Flagship Entertainment Group and Hong Kong-listed Shaw Brothers Holdings. These platforms naturally extend our expertise in programme production into the international movie arena and help capture the growth of box office revenue globally. In 2017, we formed a joint venture with Imagine Entertainment, a leading Hollywood production company, to finance the production of a slate of TV drama serials for US and international markets. We are eagerly anticipating further business cooperation with our US partner.

50TH ANNIVERSARY

On 19 November 2017, TVB celebrated its 50th anniversary, a major milestone in the history of the Company. Founded in 1967, TVB has been providing Hong Kong audience with quality free TV

entertainment, news and information. The Company has grown together with Hong Kong and has become part of its people's lives. Beyond Hong Kong, TVB is one of the most popular content providers to millions of Chinese abroad and has significantly contributed to the development of the Chinese entertainment industry. We are extremely thankful to the continued support received from our many stakeholders throughout these years.

RECOGNITION OF SIGNIFICANT CONTRIBUTIONS

Ms. Mona Fong, a non-executive Director of the Company, passed away on 22 November 2017. Ms. Fong, the wife of TVB's Chairman Emeritus the late Sir Run Run Shaw, was instrumental in leading the Company through some of the difficult periods in TVB's history. Ms. Fong will be fondly remembered for her dedication, diligence and vision.

I would also like to thank my fellow Directors for their wise counsel and guidance, and our business partners and staff members for their unwavering support.

OUTLOOK

2017 will be remembered as one of the toughest years in the last decade of the Company. We remain hopeful that the worst is now behind us as the advertising market continues its recovery and growth along with Hong Kong's overall economy. With our three media platforms firmly in place, TVB has successfully transformed into a major digital player.

Entering our 51st year, we set our sights for new developments and business opportunities. We will continue to build on our past in creating an even brighter future for our stakeholders.

Charles Chan Kwok Keung
Chairman

Hong Kong, 21 March 2018