

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

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

RESULTS, APPROPRIATIONS AND DISTRIBUTABLE RESERVES

The results of the Group for the year are set out in the consolidated income statement on pages 112 to 113.

Distributable reserves of the Company amounted to HK\$4,854,971,000 at 31 December 2017 (2016: HK\$5,349,587,000).

DIVIDENDS

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. 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. 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).

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.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 May 2018 ("2018 AGM"), the final dividend and the special dividend shall be paid in

cash to shareholders whose names are recorded on the Register of Members of the Company on 31 May 2018. Dividend warrants for the final dividend and the special dividend will be despatched to shareholders on 12 June 2018.

CLOSURE OF REGISTER OF MEMBERS

FIRST BOOK CLOSE

The Register of Members of the Company will be closed from Wednesday, 2 May 2018 to Wednesday, 23 May 2018, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the 2018 AGM. During the First Book Close Period, no transfer of shares will be registered.

In order to be entitled to attend and vote at the 2018 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 30 April 2018.

SECOND BOOK CLOSE

The Register of Members of the Company will be re-opened on Thursday, 24 May 2018 and then will be closed again from Tuesday, 29 May 2018 to Thursday, 31 May 2018, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend and the special dividend. During the Second Book Close Period, no transfer of shares will be registered.

In order to be entitled to the final dividend and the special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 28 May 2018.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,261,000.

SHARE ISSUED IN THE YEAR

The Company has not issued any shares in the year. Details of the share capital information of the Company are set out in Note 17 to the consolidated financial statements.

SHARE BUY-BACK

As announced on 24 January 2017 and revised on 13 February 2017, the Company put forward a proposal to buy back 120 million shares out of a total of 438 million shares (representing approximately 27.4%) at the offer price of HK\$35.075 per share ("Offer"). The Offer was conditional upon, amongst others, a whitewash waiver being granted by the Securities and Futures Commission ("SFC"). As noted in the Company's interim report for 2017, the Offer was then pending the Company's application to the High Court for a judicial review on certain decisions ("Panel Rulings") of the Takeovers and Mergers Panel of the SFC ("Panel"). These matters were dealt with at a Court hearing on 26 and 27 September 2017. On 4 October 2017, the Court allowed the Company's application for judicial review and ordered that the Panel Rulings be quashed. The decision affirmed the Company's position to proceed with the Offer on terms as originally proposed by the Company.

Amongst the conditions of the Offer, the Offer was subject to a condition that no regulatory authority in Hong Kong having objected to the close of the Offer. Pursuant to a referral made by the Panel, the Communications Authority ("CA") informed the Company that it was examining issues relating to the previous applications for shareholding changes in 2015 and 2016 ("CA's Assessment"), and the timeline for such assessment was not certain. The Company informed shareholders that it was cooperating with the CA on its assessment but in the event that the CA's Assessment was not satisfactorily concluded by 23 January 2018, being the first anniversary of the making of the Offer, it would apply to the SFC for its consent to not proceed with the Offer.

On 23 January 2018, the Company noted that the CA's Assessment was still ongoing and timeline for conclusion of the CA's Assessment remained uncertain. Accordingly, the Company announced on 23 January 2018 that it had obtained the SFC's consent for the Company to not proceed with the Offer. In the meantime, the Company will continue to assist the CA in order to bring the CA's Assessment to a conclusion as soon as possible. The Board will continue to evaluate various options for the Company, and at the appropriate time will consider whether to revisit a share buy-back offer, or whether an alternative transaction to achieve the Company's commercial aims could be put to shareholders.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104.

BUSINESS REVIEW

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

OVERALL

TVB has a dominant market share of over 85% in TV broadcasting Hong Kong, and employs a total of 4,436 (2016: 4,249) employees in Hong Kong and overseas. Details of the geographical distribution of employees can be found on page 54.

REPORT OF THE DIRECTORS

HONG KONG TV BROADCASTING

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

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

DIGITAL NEW MEDIA

In order to cater to the changing viewing habits of viewers, TVB commenced development of its digital new media business over 10 years ago.

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

myTV SUPER OTT service is the largest OTT platform in Hong Kong with over a total of 5.8 million registered users covering OTT boxes, mobile apps and the web. TVB monetises these content through its OTT service and website by subscription and by advertising through insertion of advertisements, in static (banner) or video (in roll advertisement) format, before and during programmes.

The Big Big Channel business comprises the newly launched online social media platform – Big Big Channel, and music entertainment – Voice Entertainment.

With the global launch of Big Big Channel, an online social media platform, in July 2017, TVB has successfully completed the new development of the three-media platform strategy. Big Big Channel rides on the global trend of social media and engages with users via a free registration mobile app and subsequently expand our global reach by adding a web version www.bigbigchannel.com.hk in January 2018.

Voice Entertainment engages in artistes’ sound recordings, music productions, music copyrights management, music publishing, concerts and artistes’ management. This music production are primarily developed for TVB drama serials and programmes.

TVB operates a total of 14 apps, targeting different segment of viewers who are seeking programmes and documentaries; news; entertainment news; finance related news and content. The monetisation of the content is by way of display advertisements, both in static or video format.

PROGRAMME LICENSING AND DISTRIBUTION

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

OVERSEAS PAY TV OPERATIONS

TVB operates its own platforms in North America (USA) under a subscription model. A number of channels are being compiled by TVB which may be TVB produced or acquired, to form a service pack. Viewers are required to subscribe for such service packs. In 2016, TVB began to distribute under an OTT service named TVB Anywhere for the global market.

CHANNEL OPERATIONS

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

OTHERS

TVB operates a number of TV related businesses, namely movie investment and magazine publication.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

- Terrestrial TV, as in many countries worldwide, is experiencing gradual decline in viewership, as many are opting for non-terrestrial TV platforms, such as the Internet and mobile services, mainly because these platforms provide viewers with more channel choices, a much wider selection of programmes, and most importantly, a capability to deliver programmes on demand. If this technological threat is not properly addressed, it will present a significant negative impact on TVB undermining its future financial performance. TVB regards this business risk as the top risk, if not properly addressed. To mitigate this, TVB launched a new Internet connected or OTT service called myTV SUPER in April 2016. TVB is partnering with major Internet service providers in Hong Kong, HGC Broadband, 3HK and Hong Kong Broadband Network in its roll out of this service. Further, this platform is complemented by Big Big Channel to deliver social media related content.
- TVB recognises that the quality of drama programmes is of critical importance for the retention of viewers. Main factor attributing to the decline in quality experienced in the past is the loss of experienced scriptwriters to other studios in Mainland China and Taiwan. As a result, the average television ratings for TVB drama serials have been showing some decline. To rectify the problem, Management has strengthened the supporting resources to build a more sustainable production pipeline.

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

On 23 January 2018, the Company announced that it would not proceed with the share buy-back offer. Details of this announcement have been included under the section on Share Buy-Back above.

REPORT OF THE DIRECTORS

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

Key financial performance indicators

- For the year, the Group's gross profit percentage had increased from 45% to 47%, and its operating profit percentage maintained at 13%.
- The Group's gearing ratio (calculated on the basis of total debt over total equity) as at 31 December 2017 was 53.3% (31 December 2016: 53.1%).

Dividend policy

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

The Company's environmental policies and performance

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

Compliance with the relevant laws and regulations that have a significant impact on the Company

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

The Company's key relationships with its employees, customers and suppliers

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

DIRECTORS

The Directors of the Company during 2017 were, and at the date of this Annual Report are, as follows:

Executive Directors

Mark Lee Po On
Cheong Shin Keong
Thomas Hui To (re-designated on 21 March 2018)

Non-executive Directors

Charles Chan Kwok Keung
Li Ruigang
Anthony Lee Hsien Pin
Chen Wen Chi

Independent Non-executive Directors

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

The Late Director

The late Mona Fong passed away on 22 November 2017. She had been a Director of the Company since October 1988. The late Mona Fong was appointed deputy chairperson of the Company in October 2000 and assumed the role of managing director in May 2006 until her retirement in March 2012. She continued to serve as a non-executive Director of the Board until 22 November 2017. The Company thanked the contribution and guidance of the late Mona Fong over the past thirty years.

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

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

Mr. Li Ruigang, who was appointed by the Board as Directors of the Company in 2016 and held offices as Director until the Company's annual general meeting held on 29 June 2017 ("2017 AGM"), was successfully elected as Director at the 2017 AGM. Dr. Charles Chan Kwok Keung, who retired at the 2017 AGM, was successfully re-elected as Director at the 2017 AGM.

In accordance with Article 117(A) of the Articles, Mr. Cheong Shin Keong, Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Mr. Chen Wen Chi, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman will retire at the 2018 AGM and, being eligible, offer themselves for re-election at the 2018 AGM.

Biographical information of each of the Directors who are subject to retirement for re-election at the 2018 AGM, are set out in the notice of the 2018 AGM which will be sent to the shareholders of the Company.

DIRECTORS OF SUBSIDIARIES

A list of names of all the directors who are serving on the boards of the Company's subsidiaries during the year and up to the date of this report is available on the website of the Company www.corporate.tvb.com ("Corporate's Website").

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of Directors and members of Senior Management are set out on pages 64 to 69 of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2017, interest of the Directors (other than independent Non-executive Directors) in the company/companies which is/are considered to compete or likely to compete, either directly or indirectly with the principal business of Group is required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are set out below.

Mr. Li Ruigang, a Non-executive Director and the Vice chairman of the Company, is the founding Chairman of CMC Capital Partners and CMC Holdings Limited (together with its affiliates, called "CMC") and through CMC has certain deemed interests as a substantial shareholder and/or has certain directorships in companies engaged in the businesses of television programme licensing and distribution in Mainland an China ("Interested Companies"). In addition, Mr. Thomas Hui To, an Executive Director of the Company (he was a Non-executive Director of the Company as of 31 December 2017), is also a director of CMC Holdings Limited which has interests in the Interested Companies.

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

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

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

REPORT OF THE DIRECTORS

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

At 31 December 2017, the interests and short positions of the Directors and chief executive in the shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

Name of director	Number of ordinary shares held					Total interests	Percentage in share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other interests			
Charles Chan Kwok Keung	-	-	-	113,888,628	113,888,628	^{#(b)(e)}	26.00
Li Ruigang	-	-	113,888,628	-	113,888,628	^{#(c)(e)}	26.00
Chen Wen Chi	-	113,888,628	-	-	113,888,628	^{#(d)(e)}	26.00
Lee Po On	-	438,000	-	-	438,000	^(e)	0.10

Notes:

- Duplication of shareholdings occurred between parties[#] shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".
- The nature of the interests shown in the table here is provided in the notes below and the notes under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 31 December 2017:

- Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company as he was one of the parties to an agreement of which Section 317 of the SFO applies. Dr. Chan held these shares through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers was an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which was controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").
- Mr. Li Ruigang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which was in turn a wholly-owned subsidiary of CMC Holdings Limited ("CMC Holdings"). CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer was wholly-owned and controlled by Mr. Li.
- Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such interests were indirectly held by his spouse, Ms. Wang Hsiueh Hong through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly held an interest. Profit Global was a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- The interests held by these Directors represented long positions.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

Name of associated corporation	Name of Director	Number of ordinary shares held				Total interests	Percentage in share capital (%)
		Personal interests	Family interests	Corporate interests	Other interests		
Shine Investment Limited	Li Ruigang	–	–	102	–	102 ^{(b)(c)}	85.00 ^(a)

Notes:

At 31 December 2017:

- (a) Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation of the Company in issue.
- (b) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which were controlled by Mr. Li Ruigang.
- (c) The interests held by this Director represented long positions.

Save for the information disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouses, and children under 18 years of age) had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Companies Ordinance”).

SHARE OPTION SCHEMES

Share Option Scheme of the Company

The Company adopted a share option scheme (“TVB Option Scheme”) at the 2017 AGM (“Adoption Date for TVB Option Scheme”). The TVB Option Scheme is designed to provide the scheme participants with the opportunity to acquire proprietary interests in the Company, thereby encouraging the grantees of such options to work towards enhancing the value of the Company and for the benefit of the Company and shareholders as a whole.

Basically, the TVB Option Scheme shall be valid for ten years from the Adoption Date for TVB Option Scheme. The Board or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of the Company or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers providing service or goods to the Company or its affiliate; a customer or joint venture partner of the Company or its affiliate; a trustee of any trust

established for the benefit of employees of the Company or its affiliate, any other class of participants which the Board or its delegated Committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of the Company).

As of the Adoption Date for the TVB Option Scheme, the number of shares of the Company issuable pursuant to the TVB Option Scheme was 43,800,000 shares (equivalent to 10% of the total issued shares of the Company on Adoption Date for TVB Option Scheme) which will be subject to the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the shares which may fall to be allotted and issued pursuant to exercise of share options in accordance with the terms and conditions of the TVB Option Scheme. The Company may, at any time, refresh such limit, subject to shareholders’ approval up to 30% of the total issued shares of the Company at the time.

No share options were granted, exercised, cancelled or lapsed under the TVB Option Scheme during 2017.

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The Directors consider that it is not appropriate to state the value of the share options which may be granted under the TVB Option Scheme as if they had been granted as at the end of the year, as a number of variables which are crucial for the calculation of the share option value have not been determined. Such variables include subscription price, option period, lock-up period (if any), performance target (if any) and other relevant variables. The Directors believe that any calculation of the value of the share options as at 31 December 2017 would be based on a great number of speculative assumptions.

Subsidiary Share Option Scheme of Big Big Channel Holdings

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings (“Subsidiary Option Scheme”) at the 2017 AGM (“Adoption Date for Subsidiary Option Scheme”). The Subsidiary Option Scheme is designed to provide the Subsidiary Option Scheme participants with the opportunity to acquire proprietary interests in Big Big Channel Holdings, thereby encouraging the grantees of such options to work towards enhancing the value of Big Big Channel Holdings and for the benefit of Big Big Channel Holdings and its shareholders as a whole. Basically, the Subsidiary Option Scheme shall be valid for ten years from the Adoption Date for Subsidiary Option Scheme. The board of directors of Big Big Channel Holdings (“Big Big Channel Holdings Board”) or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of Big Big Channel Holdings

or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to Big Big Channel Holdings or its affiliate; a customer or joint venture partner of Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of Big Big Channel Holdings or its affiliate, any other class of participants which Big Big Channel Holdings’ Board or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of Big Big Channel Holdings).

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme during 2017.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during the year was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2017, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Number of ordinary shares held	Percentage in share capital (%) ^(a)
Shaw Brothers Limited ^(b)	113,888,628 ^{#(c)(f)(h)}	26.00
Young Lion Acquisition Co. Limited	113,888,628 ^{#(c)(f)(h)}	26.00
Young Lion Holdings Limited	113,888,628 ^{#(c)(f)(h)}	26.00
Innovative View Holdings Limited	113,888,628 ^{#(c)(f)(h)}	26.00
Gold Pioneer Worldwide Limited	113,888,628 ^{#(d)(h)}	26.00
GLRG Holdings Limited	113,888,628 ^{#(d)(h)}	26.00
CMC Holdings Limited	113,888,628 ^{#(d)(h)}	26.00
CMC M&E Holdings Ltd.	113,888,628 ^{#(d)(h)}	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 ^{#(d)(f)(h)}	26.00
Wang Hsiueh Hong	113,888,628 ^{#(e)(h)}	26.00
Kun Chang Investment Co. Ltd.	113,888,628 ^{#(e)(h)}	26.00
Profit Global Investment Limited	113,888,628 ^{#(e)(f)(h)}	26.00
Silchester International Investors LLP	61,407,500 ^{(g)(h)}	14.02
Dodge & Cox	40,163,800 ^{(g)(h)}	9.17
Silchester International Investors International Value Equity Trust	26,307,900 ^(h)	6.01

Notes:

Duplication of shareholdings occurred between parties[#] shown in the table here and above under the sub-heading of "Directors' and Chief Executive's Interests in the Shares of the Company and its Associated Corporations".

At 31 December 2017:

- Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It was an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Charles Chan Kwok Keung ("Dr. Chan", the Chairman of the Board of the Company) with Mr. Li Ruigang ("Mr. Li", the Vice Chairman of the Board of the Company) and Ms. Wang Hsiueh Hong ("Ms. Wang") as the other two members.
- YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of YLH, which was controlled by Dr. Chan, through IVH.
- CMC M&E Acquisition was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Holdings. CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned and controlled by Mr. Li.
- Ms. Wang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.
- Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties of an agreement ("Agreement") to hold the interest in these 113,888,628 shares in the Company. The Agreement was an agreement to which Section 317 of the SFO applied.
- Interests were held in the capacity of investment managers.
- The interests held by these persons/entities represented long positions.

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Save for the information disclosed above, at no time during the year, no other persons (other than the Directors or chief executive of the Company) had any interest or short position in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be disclosed pursuant to the SFO, the Listing Rules and the Companies Ordinance.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

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

Continuing Connected Transactions

1. Continuing connected transactions with Shaw Movie City Hong Kong Limited ("Shaw Movie"), announced on 24 February 2016

As announced on 24 February 2016, the Company and TVB.COM Limited ("TVB.COM", now known as MyTV Super Limited), an indirect wholly-owned subsidiary of the Company, entered into several agreements on 24 February 2016 (including the tenancy agreements, colocation agreement, Internet protocol telephone licence and parking licences, collectively, "2016 Shaw Agreements (A)") with Shaw Movie for the lease of certain properties at Shaw Moviecity, a property located at 201 Wan Po Road, Tseung Kwan O, Kowloon, Hong Kong ("Shaw Moviecity"), which is wholly-owned by Shaw Movie, and for various facilities services, on such terms and conditions as stipulated in the 2016 Shaw Agreements (A). Shaw Movie was an associate of the late Mona Fong, a Non-executive Director of the Company at the date of entering into the 2016 Shaw Agreements (A). Therefore, the entering into the 2016 Shaw Agreements (A) constituted continuing connected transactions for the Company which are subject to the annual

review, and reporting and announcement requirements under the Listing Rules. Details of the 2016 Shaw Agreements (A) are as follows:

- (a) On 24 February 2016, the Company and Shaw Movie entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by the Company during 2017 were HK\$3,755,000.
- (b) On 24 February 2016, TVB.COM and Shaw Movie entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2017 were HK\$4,541,000.
- (c) On 24 February 2016, TVB.COM and Shaw Movie entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2017 were HK\$2,574,000.
- (d) On 24 February 2016, TVB.COM and Shaw Movie entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from Shaw Movie for storage of server equipment at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The service fee incurred by TVB.COM during 2017 was HK\$5,040,000.

(e) On 24 February 2016, TVB.COM and Shaw Movie entered into an Internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an Internet protocol telephony communication system services installed by Shaw Movie at the offices at Shaw Moviecity which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2017 was HK\$495,000.

(f) On 24 February 2016, the Company and Shaw Movie entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by the Company during 2017 was HK\$90,000.

(g) On 24 February 2016, TVB.COM and Shaw Movie entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by TVB.COM during 2017 was HK\$180,000.

(h) In addition, the Company and TVB.COM reimbursed to Shaw Movie for remitting payments to the government arising from the 2016 Shaw Agreements (A) amounting to HK\$204,000 and HK\$406,000 respectively during 2017.

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

As announced on 20 July 2016, TVB.COM and TVB Publications Limited ("TVB Publications"), an indirect non wholly-owned subsidiary of the Company (became an indirect wholly-owned subsidiary of the Company on 22 May 2017), entered into several agreements on 20 July 2016 (including the licence agreement, the tenancy agreement and the parking licence, collectively, "2016 Shaw Agreements (B)") with Shaw Movie for the lease of certain properties at Shaw Moviecity, which is wholly-owned by Shaw Movie, on such terms and conditions as stipulated in the

2016 Shaw Agreements (B). Shaw Movie was an associate of the late Mona Fong, a Non-executive Director of the Company at the date of entering into the 2016 Shaw Agreements (B). Therefore, the entering into the 2016 Shaw Agreements (B) constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2016 Shaw Agreements (B) are as follows:

(a) On 20 July 2016, TVB.COM and Shaw Movie entered into a licence agreement, pursuant to which TVB.COM agreed to hire a warehouse at Shaw Moviecity, with a total gross floor area of approximately 8,000 square feet. The licence has an initial term of one year commencing from 1 May 2016 to 30 April 2017 (with an option to renew for two more years up to 30 April 2019 at the sole discretion of Shaw Movie). In 2017, the parties renewed the agreement for one year from 1 May 2017 to 30 April 2018. The rent and related expenses incurred by TVB.COM during 2017 were HK\$1,915,000.

(b) On 20 July 2016, TVB Publications and Shaw Movie entered into a tenancy agreement, pursuant to which TVB Publications agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 16,060 square feet for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The rent and related expenses incurred by TVB Publications during 2017 were HK\$4,081,000.

(c) On 20 July 2016, TVB Publications and Shaw Movie entered into a parking licence, pursuant to which TVB Publications agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The licence fee incurred by TVB Publications during 2017 was HK\$180,000.

REPORT OF THE DIRECTORS

3. Continuing connected transactions with Shaw Movie, announced on 17 October 2017

As announced on 17 October 2017, the Company entered into a licence agreement on 17 October 2017 (“2017 Shaw Agreement”) with Shaw Movie for the lease of a property at Shaw Moviecity, which is wholly-owned by Shaw Movie, on such terms and conditions as stipulated in the 2017 Shaw Agreement. Shaw Movie was an associate of the late Mona Fong, a Non-executive Director of the Company at the date of entering into the 2017 Shaw Agreement. Therefore, the entering into the 2017 Shaw Agreement constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2017 Shaw Agreement are as follows:

- (a) On 17 October 2017, the Company and Shaw Movie entered into a licence agreement, pursuant to which the Company agreed to hire a premises at Shaw Moviecity, with a total gross floor area of approximately 5,800 square feet. The licence has an initial term of one year commencing from 1 October 2017 to 30 September 2018 and with an option to renew for a further year up to 30 September 2019, and a further option to renew for a further second year up to 30 September 2020, at the sole discretion of Shaw Movie. The rent and related expenses incurred by the Company during 2017 were HK\$351,000.

4. Continuing connected transactions with TVB (Overseas) Holdings Limited, announced on 21 March 2018

As announced on 21 March 2018, (i) TVBI Company Limited (“TVBI”), a direct wholly-owned subsidiary of the Company, entered into a licence agreement (“Licence Agreement”) with TVB (Overseas) Holdings Limited (“TVBOH”) a direct wholly-owned subsidiary of 上海翡翠東方傳播有限公司 (“TVBC”) in relation to the supply of the licensed programmes in the PRC, on such terms and conditions as stipulated in the Licence Agreement; and (ii) TVBO Facilities Limited (“TVBO”), an indirect wholly-owned subsidiary of the Company, entered into a supply agreement

(“Supply Agreement”) with TVBOH in relation to the supply of the TV broadcasting and marketing materials in the PRC, on such terms and conditions as stipulated in the Supply Agreement.

As a result of Mr. Li Ruigang becoming the Vice Chairman and a Non-executive Director of the Company on 17 October 2016, the abovementioned transactions had technically become continuing connected transactions for the Company as both TVBC and TVBOH were the associates of Mr. Li. The transactions, therefore, are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the Licence Agreement and Supply Agreement are as follows:

- (a) On 25 November 2015 (and supplemented on 31 December 2015), TVBI and TVBOH entered into a Licence Agreement, pursuant to which the TVBI agreed to supply during the period commencing from 1 January 2016 to 31 March 2018 to TVBOH with the licensed programmes as selected by TVBOH and grant an exclusive licence to TVBOH, among other things, (i) to broadcast and exhibit those selected licensed programmes on wireless TV, cable TV and satellite TV as well as all new media platforms, and (ii) to produce, distribute and sell the sound and video recordings of the licensed programmes (such as VCDs, DVDs and other storage media), within the PRC. The transaction amount received by TVBI during 2017 was HK\$184,164,000.
- (b) On 25 November 2015, TVBO and TVBOH entered into a Supply Agreement, pursuant to which the TVBO agreed to supply during the period commencing from 1 January 2016 to 31 March 2018 to TVBOH with the TV broadcasting and marketing materials relating to the licensed programmes as selected by TVBOH. The transaction amount received by TVBO during 2017 was HK\$17,716,000.

All of the Independent Non-executive Directors of the Company having reviewed and confirmed the transactions described in paragraphs 1, 2, 3 and 4 above, were:

- (i) in the ordinary and usual course of business of the Company and its subsidiaries;
- (ii) either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 80 to 82 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor has included an emphasis of matter paragraph (without modification) in its letter which states that: "We draw attention that the Company issued an announcement dated 21 March 2018 in respect of the continuing connected transactions between its subsidiaries and TVBOH for the period from 17 October 2016 to 31 March 2018 as set out in the attached list of continuing connected transactions (the "TVBOH Transactions"). There was no annual cap for the TVBOH Transactions for 2017, and accordingly we do not provide a conclusion on whether the TVBOH Transactions have exceeded an annual cap. Our conclusion is not modified in respect of this matter".

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

5. Transactions with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT")

On 30 June 2016, TVBI, a wholly-owned subsidiary of the Company, entered into an agreement with MEASAT to extend the arrangements under the agreements entered on 13 December 2010 for a term not exceeding four years and to agree on new commercial arrangements for a term of four years commencing on 1 February 2016 ("New MEASAT Agreements"). As at the date of the New MEASAT Agreements, MEASAT was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, and the aggregate value of these non wholly-owned subsidiaries' total assets, profits and revenue represented less than 5% under the relevant percentage ratios (as defined in the Listing Rules) for the financial year ended 31 December 2017, the transactions contemplated under the New MEASAT Agreements were exempt from all the applicable requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.09(1) and (2) of the Listing Rules. During 2017, MEASAT ceased to be an associate of the substantial shareholder of the said three of the Company's non wholly-owned subsidiaries on 22 May 2017 and the said three non wholly-owned subsidiaries became the wholly-owned subsidiaries of the Company on 22 May 2017.

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

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY

Subject to the applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them shall or may incur or sustain in the execution of their duties or in relation thereto pursuant to the Articles. Such provisions were in force during the financial year ended 31 December 2017 and remained in force as of the date of this report. The Company has also arranged directors' liability insurance, to insure against any losses and liabilities incurred by Directors of the Company in their capacity as such.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 38 to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 24 to the consolidated financial statements.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 93 to 101.

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 86 to 103 of this Annual Report.

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

During the year, the Company purchased US\$8,500,000 nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US\$8,469,000 through open market. As at 31 December 2017, US\$500,000,000 nominal amount of TVB Notes remained outstanding. Details of TVB Notes and the purchase are set out in Note 20 to the consolidated financial statements.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 21 March 2018, there were 363 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 21 March 2018