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 21 March 2018.

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.

(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 2017:

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Statement of cash flows
Amendments to HKAS 12	Income taxes
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of these amendments did not have any impact on the amounts in prior periods. Most of the amendments will also not affect the current or future periods. However, the amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 32(b).

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

2.1 Basis of preparation (continued)

(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 2018 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 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:

HKFRS 9 'Financial instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Date of adoption by Group

The new standard is mandatory for financial years commencing on or after 1 January 2018. The adoption of HKFRS 9 will generally be applied retrospectively, except for where the standard provides transition exemptions. The Group intends to apply the transition exemptions, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Impact

The Group does not expect the new guidance to affect the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income ("FVOCI") election is available for the equity instruments which are currently classified as available-for-sale.
- Debt instruments currently classified as loans and receivables and held-to-maturity financial assets, which are currently measured at amortised cost, would continue to meet the conditions for classification at amortised cost under HKFRS 9.

It is expected that there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

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

2.1 Basis of preparation (continued)

(b) Relevant new/revised standards that are not yet effective and have not been early adopted by the Group (continued)

HKFRS 9 'Financial instruments' (continued)

Impact (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables and loan commitments. Based on the assessments undertaken to date, the Group expects a small increase in the loss allowance for trade debtors by approximately 7% and in relation to debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 'Revenue from contracts with customers'

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of 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.

Date of adoption by Group

The new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to use the modified retrospective approach for transition to the new revenue standard, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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

2.1 Basis of preparation (continued)

(b) Relevant new/revised standards that are not yet effective and have not been early adopted by the Group (continued)

HKFRS 15 'Revenue from contracts with customers' (continued)

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected to the Group:

- revenue recognition of master contracts in the overseas licensing and distribution market – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward. The Group does not expect the new standard to affect the timing of the revenue recognition on current master contracts as at year end; and
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

Had the standard been adopted from 1 January 2017, the Group estimated that there would not be a significant effect on the consolidated financial statements of the Group.

HKFRS 16 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It 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.

Date of adoption by Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$103,740,000. The Group estimates that approximately 23% of these relate to payments for short-term and low-value leases under HKFRS 16 can be exempted from inclusion of the statement of financial position and which will be recognised on a straight-line basis as an expense in profit or loss. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the consolidated financial statements as lease liabilities, with corresponding right-to-use assets. However, the Group assessed that there would not be significant effect on 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.

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

2.2 Consolidation (continued)

(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.

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

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.

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

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.

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

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", "bank deposits" and "cash and cash equivalents" (Note 2.16) in the statement of financial position.

(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.

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

2.11 Financial assets (continued)

Recognition and measurement (continued)

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.

2.12 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.

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

2.12 Impairment of financial assets (continued)

(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.

2.13 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 TV/over-the-top ("OTT") markets 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.

For the co-produced programmes under co-production agreement, the related programme cost is apportioned according to the expected income generated from domestic terrestrial TV/OTT markets and the sale of exclusive programme exploitation right in defined geographical areas to co-producers. For the sale of programme exploitation right to co-producers, the related cost is expensed upon delivery of the programmes to co-producers.

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

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs, 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.

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

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.

2.21 Share-based payments

Share-based compensation benefits are provided to employees via share option schemes of the Company and Big Big Channel Holdings Limited ("Big Big Channel Holdings").

Employee options

The fair value of options granted under the share option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

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

2.21 Share-based payments (continued)

Employee options (continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group transfers the appropriate amount of shares of the Company/Big Big Channel Holdings to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

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

2.23 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.

2.24 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.

2.25 Revenue recognition

Income from advertisers includes advertising income, sponsorship income and commercial production income. 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. Sponsorship income is recognised when the programmes are telecast. Commercial production income is recognised when the commercials are delivered to advertisers.

Co-production income is recognised upon delivery of the programmes to co-producers for its exclusive programme exploitation right in defined geographical areas.

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.

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

2.25 Revenue recognition (continued)

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 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.

2.26 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.

(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.

2.27 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.

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

2.27 Related parties (continued)

(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.

2.28 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.

	2017		2016	
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	**8%**	**15,515**	6%	8,619
	(8%)	**(15,515)**	(6%)	(8,619)
Malaysian Ringgit	**11%**	**4,771**	10%	3,027
	(11%)	**(4,771)**	(10%)	(3,027)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal floating interest bearing assets are cash balances and bank deposits. 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 2017 and 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$47,217,000 (2016: HK$54,655,000) in respect of bank deposits.

(b) Credit risk

The Group's credit risk is primarily attributable to its bond securities, fund advanced/loan to a joint venture, 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 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).

	2017		2016	
	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	**139,261**	**588,638**	140,541	699,022
Between 1 and 2 years	**139,261**	**–**	140,541	–
Between 2 and 5 years	**4,120,209**	**–**	4,267,393	–
	4,398,731	**588,638**	4,548,475	699,022

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 equity 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. Total equity as shown in the consolidated statement of financial position is total capital.

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Total debt	**3,814,406**	3,842,493
Net debt/(net cash) (Note 32 (b))	**2,983,105**	(1,678,469)
Total equity	**7,157,047**	7,230,091
Gearing ratios		
– Total debt to total equity ratio	**53.3%**	53.1%
– Net debt to total equity ratio	**41.7%**	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 2017 and 2016, the fair value measurement of the Group's available-for-sale financial assets is included in level 3 (Note 12).

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

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, co-production income, as well as other income from sales of magazines, 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:

	2017 **HK$'000**	2016 HK$'000
Revenue		
Income from advertisers, net of agency deductions (note)	**2,659,979**	2,671,113
Licensing income	**875,256**	919,084
Subscription income	**255,861**	201,015
Co-production income	**185,338**	–
Others	**415,070**	476,658
	4,391,504	4,267,870
Less: withholding tax	**(55,773)**	(57,562)
	4,335,731	4,210,308
Other revenues		
Interest income	**117,910**	50,260
Others	**24,104**	18,664
	142,014	68,924
	4,477,745	4,279,232

Note:

The Group determined to report the sponsorship income and commercial production income from advertisers together with advertising income collectively as "income from advertisers" as such income are increasingly important. The comparative figures have been adjusted to conform with the reclassification.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group is principally engaged in terrestrial television broadcasting with programme production, Hong Kong digital new media business, Big Big Channel business, programme licensing and distribution, overseas pay TV operations, channel operations, and other activities.

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 determined to separately report "Big Big Channel business" as a reportable segment due to its increasing importance as the third platform and the directors of the Company consider that such information would be useful to users of the consolidated financial statements. As such, the comparative figures have been adjusted to conform with the reclassification.

The Group has following reportable segments:

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas
(b)	Hong Kong digital new media business	–	operation of myTV SUPER OTT service and website portals
(c)	Big Big Channel business	–	Big Big Channel, online social media platform officially launched in July 2017, and music entertainment. The online social media business is undertaken by Big Big Channel Limited, which became a subsidiary in November 2016 and was previously engaged in Hong Kong pay TV business prior to the surrender of the pay TV licence in June 2017
(d)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media operators
(e)	Overseas pay TV operations	–	provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences
(f)	Channel operations	–	compilation and distribution of television channels in Mainland China, Malaysia, Singapore and other countries
(g)	Other activities	–	magazine publications, movie, property investment and other services
(h)	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	Big Big Channel 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 2017										
Revenue										
External customers	2,817,857	280,295	44,008	875,297	151,257	79,357	87,660	–	–	4,335,731
Inter-segment	52,058	25,649	24,674	106,410	–	5,864	5,654	–	(220,309)	–
Total	2,869,915	305,944	68,682	981,707	151,257	85,221	93,314	–	(220,309)	4,335,731
Reportable segment profit before gain on disposal of investment properties	164,978	(84,875)	(10,915)	493,289	(52,960)	10,934	33,196	(152,379)	–	401,268
Gain on disposal of investment properties	–	–	–	–	–	–	18,483	–	–	18,483
Reportable segment profit	164,978	(84,875)	(10,915)	493,289	(52,960)	10,934	51,679	(152,379)	–	419,751
Interest income	81,775	75	414	4,729	166	–	30,751	–	–	117,910
Finance costs	–	–	–	–	–	–	–	(152,379)	–	(152,379)
Depreciation and amortisation	(286,732)	(72,006)	(6,662)	(11,130)	(5,506)	(892)	(5,045)	–	–	(387,973)
Additions to non-current assets*	269,973	161,201	23,373	13,666	13,643	540	749	–	–	483,145
For the year ended 31 December 2016 (restated)										
Revenue										
External customers	2,661,486	224,250	27,169	899,179	168,807	84,423	144,994	–	–	4,210,308
Inter-segment	45,713	5,267	8,174	119,997	–	5,938	10,963	–	(196,052)	–
Total	2,707,199	229,517	35,343	1,019,176	168,807	90,361	155,957	–	(196,052)	4,210,308
Reportable segment profit before the following items	(71,080)	(29,301)	583	443,857	(40,237)	2,264	27,138	(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 36)	(70,000)	–	–	–	–	–	–	–	–	(70,000)
Write-back of impairment loss on amounts due from an associate arising from business combination (Note 36)	70,636	–	–	–	–	–	–	–	–	70,636
Reportable segment profit	(93,430)	(29,301)	583	443,857	(40,237)	2,264	306,974	(32,855)	1,000	558,855
Interest income	40,317	155	115	4,819	63	–	4,791	–	–	50,260
Finance costs	–	–	–	–	–	–	(959)	(32,855)	–	(33,814)
Depreciation and amortisation	(266,153)	(35,607)	(8,247)	(8,164)	(4,011)	(820)	(15,191)	–	–	(338,193)
Additions to non-current assets*	221,637	226,774	121	25,897	7,711	84	1,469	–	–	483,693

* Non-current assets comprise property, plant and equipment, investment properties, land use rights and intangible assets (including prepayments related to capital expenditure if any).

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit to profit before income tax is provided as follows:

	2017 HK$'000	2016 HK$'000
Reportable segment profit	**419,751**	558,855
Professional fees incurred for the aborted share buy-back offer	**(28,730)**	–
Share of losses of joint ventures	**(31,517)**	(1,791)
Share of losses of associates	**(1,589)**	(4,126)
Profit before income tax and discontinued operations	**357,915**	552,938

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2017 and 2016.

An analysis of the Group's revenue from external customers for the year by geographical location is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	**3,039,503**	3,039,285
Malaysia and Singapore	**512,517**	527,894
Mainland China	**529,592**	350,837
USA and Canada	**123,232**	130,845
Vietnam	**47,844**	48,602
Australia	**42,809**	55,454
Europe	**9,039**	10,050
Other countries	**31,195**	47,341
	4,335,731	4,210,308

An analysis of the Group's non-current assets, other than financial instruments and deferred income tax assets, by geographical location is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	**2,180,569**	2,089,529
USA and Canada	**770,774**	17,162
Mainland China	**83,860**	76,410
Taiwan	**41,268**	93,081
Australia	**565**	1,759
Other countries	**546**	661
	3,077,582	2,278,602

6 PROPERTY, PLANT AND EQUIPMENT

	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 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 36)	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
At 1 January 2017	1,183,842	54,932	2,757,163	1,180,568	51,603	5,228,108
Exchange differences	2,434	550	1,659	863	64	5,570
Additions	36	4,610	197,758	241,501	586	444,491
Disposals	–	–	(273,239)	(43,740)	(3,162)	(320,141)
Transferred from investment properties (Note 7)	16,293	–	–	–	–	16,293
At 31 December 2017	**1,202,605**	**60,092**	**2,683,341**	**1,379,192**	**49,091**	**5,374,321**
Accumulated depreciation and impairment						
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 36)	19,423	10,324	333,801	21,685	444	385,677
Charge for the year	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
At 1 January 2017	604,509	44,916	2,068,054	677,116	36,206	3,430,801
Exchange differences	593	493	1,516	724	64	3,390
Charge for the year (Note 23)	42,776	5,752	198,418	125,597	6,425	378,968
Written back on disposals	–	–	(270,620)	(42,830)	(3,162)	(316,612)
Transferred from investment properties (Note 7)	3,239	–	–	–	–	3,239
At 31 December 2017	**651,117**	**51,161**	**1,997,368**	**760,607**	**39,533**	**3,499,786**
Net book value						
At 31 December 2017	**551,488**	**8,931**	**685,973**	**618,585**	**9,558**	**1,874,535**
At 31 December 2016	579,333	10,016	689,109	503,452	15,397	1,797,307

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK$4,064,000 (2016: HK$5,891,000) as they were not ready in use at the year end.

(b) At 31 December 2017, the net book values of leasehold land held under finance leases were analysed as follows:

	2017 **HK$'000**	2016 HK$'000
Leases of between 10 to 50 years	**133,604**	138,172
Leases of over 50 years	**4,851**	5,015
	138,455	143,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2016	804,580
Additions	653
Disposal (note(a))	(705,967)
Exchange differences	24,811
At 31 December 2016	124,077
At 1 January 2017	124,077
Additions	187
Transferred to property, plant and equipment (Note 6)	(16,293)
Transferred to non-current asset held for sale (Note 29(a))	(70,089)
Exchange differences	3,333
At 31 December 2017	**41,215**
Accumulated depreciation	
At 1 January 2016	120,271
Charge for the year	9,019
Disposal	(109,816)
Exchange differences	3,631
At 31 December 2016	23,105
At 1 January 2017	23,105
Charge for the year (Note 23)	850
Transferred to property, plant and equipment (Note 6)	(3,239)
Transferred to non-current asset held for sale (Note 29(a))	(11,373)
Exchange differences	766
At 31 December 2017	**10,109**
Net book value	
At 31 December 2017	**31,106**
At 31 December 2016	100,972
Fair values (note (b))	
At 31 December 2017	**54,321**
At 31 December 2016	187,781

Notes:

(a) 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 2016.

7 INVESTMENT PROPERTIES (continued)

Notes:

(b) The Group's investment properties were valued at 31 December 2017 and 2016 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 2017 and 2016, 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:

	2017 HK$'000	2016 HK$'000
At 1 January	**54,550**	59,948
Amortisation (Note 23)	**(3,029)**	(3,046)
Exchange differences	**2,780**	(2,352)
At 31 December	**54,301**	54,550

9 INTANGIBLE ASSETS

	Software development cost HK$'000
Year ended 31 December 2016	
Opening net book amount	26,976
Additions	32,442
Amortisation charge (Note 23)	(115)
Closing net book amount	59,303
At 31 December 2016	
Cost	59,418
Accumulated amortisation	(115)
Net book amount	59,303

9 INTANGIBLE ASSETS (continued)

	Software development cost HK$'000
Year ended 31 December 2017	
Opening net book amount	59,303
Additions	31,392
Amortisation charge (Note 23)	(5,126)
Exchange differences	18
Closing net book amount	85,587
At 31 December 2017	
Cost	90,828
Accumulated amortisation	(5,241)
Net book amount	**85,587**

10 INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Non-current		
Investment cost	**273,163**	5,569
Less: accumulated share of losses	**(38,971)**	(5,569)
	234,192	–
Funds advanced to joint ventures (note (b))	**42,431**	49,340
Loan to a joint venture (note (a))	**521,083**	–
	797,706	49,340
Less: share of losses in excess of investment costs	**(28,568)**	(29,147)
	769,138	20,193
Current		
Interest receivable from a joint venture (note (a))	**27,068**	–
	796,206	20,193

	2017 HK$'000	2016 HK$'000
At 1 January	20,193	29,633
Add: investment costs (note (a))	266,810	–
Add: loan to a joint venture	520,383	–
Less: repayment of loan	–	(2,917)
Less: repayment of fund advanced	(7,700)	(4,400)
Add: interest receivables from joint ventures	26,993	35
Less: interest received	–	(367)
Share of losses for the year	(31,517)	(1,791)
Exchange differences	1,044	–
At 31 December	796,206	20,193

Notes:

(a) In July 2017, the Group entered into the agreement with Imagine Holding Company LLC ("Imagine") in relation to the formation of a joint venture company, namely Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between both parties. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. The Group has contributed to the capital of ITT in an amount of US$33,333,333 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US$66,666,667 in the form of the Promissory Note. The Promissory Note is unsecured and bears an interest rate of 12% per annum and will mature in July 2032. Imagine shall not be making any capital contribution to ITT but shall contribute in-kind in the form of production expertise as it has the duty to manage and control the business and affairs of ITT and all creative and production decisions with respect to the television projects financed by ITT. With reference to this capital contribution arrangement, the Group would share 100% of ITT's result until ITT has accumulated a positive balance of retained earnings.

(b) The Group has advanced in aggregate HK$11,150,000 (2016: HK$10,359,000) 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$31,281,000 (2016: HK$38,981,000) 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$28,568,000 (2016: HK$29,147,000) against the loan and funds advanced to the joint ventures is adequate. The carrying value of interests in 上海翡翠珍宝 has been fully impaired as at 31 December 2017 and 2016.

(c) As at 31 December 2017 and 2016, the carrying amounts of the loan and advances approximated their fair values. The fair values are based on discounted cash flows and are included in level 3 fair value hierarchy.

10 INTERESTS IN JOINT VENTURES (continued)

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%
#Imagine Tiger Television, LLC	United States	Provision of finance for the development and production of television programmes	Class A units of US$33,333,333	§100%

Joint ventures held indirectly by the Company

§ The Group does not hold class B units and has 50% equity interest in ITT

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 United States TV market.

10 INTERESTS IN JOINT VENTURES (continued)

Summarised statements of financial position of the joint ventures that are material to the Group and reconciliations to the carrying amount of the Group's share of net assets/(liabilities) of the joint ventures:

	As at 31 December 2017#			As at 31 December 2016#
	Concept Legend HK$'000	**ITT HK$'000**	**Total HK$'000**	Concept Legend HK$'000
Assets				
Cash and cash equivalents	**12,607**	**765,335**	**777,942**	23,912
Other current assets (excluding cash and cash equivalents)	**29,749**	**12,515**	**42,264**	29,163
Total current assets	**42,356**	**777,850**	**820,206**	53,075
Liabilities				
Current financial liabilities (excluding trade payables)	**(62,262)**	**–**	**(62,262)**	(76,462)
Other current liabilities (including trade payables)	**(14,930)**	**(29,202)**	**(44,132)**	(14,189)
Total current liabilities	**(77,192)**	**(29,202)**	**(106,394)**	(90,651)
Total non-current financial liabilities	**–**	**(521,083)**	**(521,083)**	–
	(77,192)	**(550,285)**	**(627,477)**	(90,651)
Net assets/(liabilities)	**(34,836)**	**227,565**	**192,729**	(37,576)
Interest in joint ventures (50% for Concept Legend; Δ100% for ITT)	**(17,418)**	**227,565**	**210,147**	(18,788)
Add: Capitalised professional fees	**–**	**6,627**	**6,627**	–
Carrying value*	**(17,418)**	**234,192**	**216,774**	(18,788)

* excluding fund advanced, loan and interest receivable

Δ the Group shares 100% of ITT's loss with reference to the agreement in relation to formation of ITT

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

	For the year ended 31 December 2017#			For the year ended 31 December 2016#
	Concept Legend HK$'000	**ITT HK$'000**	**Total HK$'000**	Concept Legend HK$'000
Revenue	**1,464**	**–**	**1,464**	5,447
Interest income	**–**	**–**	**–**	–
Depreciation	**–**	**–**	**–**	–
Interest expense	**–**	**(26,993)**	**(26,993)**	–
Profit/(loss) from operations	**2,740**	**(32,887)**	**(30,147)**	(12,879)
Income tax expense	**–**	**–**	**–**	–
Post-tax profit/(loss) for the year	**2,740**	**(32,887)**	**(30,147)**	(12,879)
Other comprehensive income	**–**	**–**	**–**	–
Total comprehensive income	**2,740**	**(32,887)**	**(30,147)**	(12,879)
Dividends received from joint ventures	**–**	**–**	**–**	–

\# The financial position and result of 上海翡翠珍宝 is not presented in 2017 and 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 2017 and 2016.

11 INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Investment costs (note)	**174,000**	174,000
Less: accumulated share of losses	**(5,715)**	(4,126)
Add/(less): accumulated share of other comprehensive income	**1,201**	(9,951)
	169,486	159,923

Note:

In 2016, 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.

11 INTERESTS IN ASSOCIATES (continued)

	2017 HK$'000	2016 HK$'000
At 1 January	159,923	–
Add: investment costs	–	174,000
Share of loss for the year	(1,589)	(4,126)
Share of other comprehensive income	11,152	(9,951)
At 31 December	169,486	159,923

Details of the material associate are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
#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%

an associate held directly by the Company

§ the Group holds 40% economic interest in Shine Investment Limited

The associate is a private company and there is no quoted market price available for its shares. It is all accounted for using the equity method.

There are no contingent liabilities relating to the Group's interest in the associate.

The associate is strategic for the Group's investment in the movie industry.

11 INTERESTS IN ASSOCIATES (continued)

Summarised statement of financial position of Shine Investment Limited and reconciliation to the carrying amount of the Group's share of net assets of the associate:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Assets		
Current financial assets	**1,138**	1,138
Interest in an associate	**422,927**	399,019
	424,065	400,157
Liabilities		
Current financial liabilities	**(350)**	(350)
Net assets	**423,715**	399,807
Interest in associates (40%) and carrying value	**169,486**	159,923

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2017 HK$'000	For the year ended 31 December 2016 HK$'000
Revenue	**–**	–
Share of loss of associate	**(3,972)**	(10,315)
Post-tax loss for the year	**(3,972)**	(10,315)
Other comprehensive income	**27,880**	(24,878)
Total comprehensive income	**23,908**	(35,193)
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 2017 and 2016 because the Group's share of losses in this immaterial associate has accumulated up to its interest in the associate.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
At 1 January and 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

	2017 HK$'000	2016 HK$'000
Non-current		
Bond securities at amortised costs:		
Unlisted	**220,987**	21,368
Listed in Hong Kong	**279,328**	312,849
Listed in other countries	**211,514**	189,292
	711,829	523,509
Current		
Bond securities at amortised costs:		
Listed in Hong Kong	**62,737**	–
Certificates of deposit		
Unlisted	**–**	775,400
	62,737	775,400
	774,566	1,298,909

The bond securities carry a weighted average yield to maturity of 6.03% (31 December 2016: 4.79%) 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 were fully redeemed during the year.

The carrying amounts of the held-to-maturity financial assets approximate their fair values. The maximum exposure to credit risk is the carrying values of the held-to-maturity financial assets. None of these financial assets is either past due or impaired.

14 STOCKS

At 31 December 2017 and 2016, all stocks were stated at the lower of cost and net realisable value.

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017 HK$'000	2016 HK$'000
Non-current		
Prepayments related to capital expenditure	**93,429**	86,354
Current		
Trade receivables from:		
Associates (Note 38(c))	**4,322**	30,743
Related parties (Note 38(c))	**–**	40,679
Third parties (note)	**1,587,909**	1,278,735
	1,592,231	1,350,157
Less: provision for impairment loss on receivables from:		
Associates	**(1,455)**	(1,443)
Third parties	**(171,613)**	(180,911)
Other receivables, prepayments and deposits	**482,818**	503,517
	1,901,981	1,671,320
	1,995,410	1,757,674

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 2017, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

	2017 HK$'000	2016 HK$'000
Current	**542,528**	446,273
1-2 months	**237,924**	219,035
2-3 months	**154,833**	194,608
3-4 months	**151,347**	122,788
4-5 months	**124,564**	100,275
Over 5 months	**381,035**	267,178
	1,592,231	1,350,157

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The percentages of amounts of trade receivables (before impairment loss) are denominated in the following currencies:

	2017 %	2016 %
Hong Kong dollars	**72**	78
Renminbi	**17**	10
US dollars	**7**	8
Malaysian Ringgit	**3**	3
Other currencies	**1**	1
	100	100

As at 31 December 2017, trade receivables past due but not impaired were aged as follows:

	2017 HK$'000	2016 HK$'000
Up to 5 months	**499,206**	480,322
Over 5 months to 1 year	**208,760**	103,151
Over 1 year	**19,330**	3,188
	727,296	586,661

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 2017, trade receivables which were impaired were aged as follows:

	2017 HK$'000	2016 HK$'000
Up to 5 months	**20,123**	21,515
Over 5 months to 1 year	**19,514**	53,689
Over 1 year	**133,431**	107,150
	173,068	182,354

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**182,354**	719,753
Acquisition of subsidiaries	–	10,309
Provision for impairment loss		
– Associates	–	19,841
– Third parties	**32,975**	69,443
Reversal of provision for impairment loss		
– Third parties	**(35,490)**	(2,609)
Reclassification of amounts due from an associate to amounts due from a subsidiary*	–	(633,529)
Receivables written off as uncollectible	**(12,907)**	(695)
Exchange differences	**6,136**	(159)
At 31 December	**173,068**	182,354

* The amount in 2016 represented provision made for trade receivables due from Big Big Channel Limited (formerly known as TVB Network Vision Limited). Following the further acquisition of Big Big Channel Holdings Limited (formerly known as TVB Pay Vision Holdings Limited, the holding company of TVB Network Vision Limited), Big Big Channel Holdings Limited 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.

16 RESTRICTED CASH, BANK DEPOSITS MATURING AFTER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Restricted cash	**4,306,886**	6,113
Unrestricted cash		
Bank deposits maturing after three months	**61,227**	676,993
Cash and cash equivalents	**831,301**	5,520,962
	892,528	6,197,955
	5,199,414	6,204,068
Analysis of cash and cash equivalents		
Cash at bank and on hand	**378,003**	427,155
Short-term bank deposits	**453,298**	5,093,807
	831,301	5,520,962

Note:

At 31 December 2017, restricted cash mainly included cash set aside for the share buy-back offer, as detailed in the Company's announcement dated 24 January 2017.

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 restricted cash, bank deposits maturing after three months and cash and cash equivalents approximate their fair values.

Restricted cash, bank deposits maturing after three months and cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**1,743,459**	664,805
US dollars	**2,926,437**	4,013,515
Renminbi	**354,034**	346,403
New Taiwan dollars	**158,838**	1,167,754
Other currencies	**16,646**	11,591
	5,199,414	6,204,068

17 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2016 and 31 December 2016 and 1 January 2017 and 31 December 2017	**438,000**	**664,044**

18 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 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
Share of other comprehensive income of an 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
Balance at 1 January 2017	70,000	–	39,513	(106,460)	3,053
Transferred from retained earnings	–	–	64,498	–	64,498
Currency translation differences:					
– Group	–	–	–	74,622	74,622
– Joint ventures	–	–	–	(1,307)	(1,307)
Share of other comprehensive income of an associate	–	–	–	11,152	11,152
Change in ownership interests in subsidiaries without change of control (Note 37)	–	(3,741)	–	–	(3,741)
Balance at 31 December 2017	**70,000**	**(3,741)**	**104,011**	**(21,993)**	**148,277**

General reserve – the reserve set aside out of the profits of the Company that the Directors think fit for, inter-alia, meeting claims on or liabilities of the Company or contingencies or for any other purpose to which the profits of the Company may be properly applied.

Capital reserve – the capital reserve comprise the excess of consideration paid to non-controlling interests for acquisition of additional interest in subsidiaries as set out in Note 37; 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).

18 OTHER RESERVES (continued)

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.

19 TRADE AND OTHER PAYABLES AND ACCRUALS

	2017 **HK$'000**	2016 HK$'000
Trade payables to:		
Related parties (Note 38(c))	–	4,404
Third parties	**134,264**	119,193
	134,264	123,597
Receipts in advance, deferred income and customers' deposits	**283,029**	221,657
Provision for employee benefits and other expenses	**155,825**	207,741
Accruals and other payables	**298,549**	367,684
	871,667	920,679

At 31 December 2017, the ageing of trade payables based on invoice date including trading balances due to related parties was as follows:

	2017 **HK$'000**	2016 HK$'000
Current	**78,050**	61,422
1-2 months	**26,978**	36,778
2-3 months	**8,805**	19,376
3-4 months	**3,443**	4,109
4-5 months	**921**	333
Over 5 months	**16,067**	1,579
	134,264	123,597

19 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

The percentages of amounts of trade payables are denominated in the following currencies:

	2017 %	2016 %
Hong Kong dollars	60	58
US dollars	34	33
Renminbi	5	5
Other currencies	1	4
	100	100

The carrying amounts of trade and other payables and accruals approximate their fair values.

20 BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Notes, unsecured (note)	3,814,406	3,842,493

At 31 December 2017, borrowings were repayable as follows:

	2017 HK$'000	2016 HK$'000
Between 2 and 5 years	3,814,406	3,842,493

Note:

On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("Notes"). During the year, the Company purchased US$8,500,000 nominal amount of the Notes issued by TVB Finance Limited at a price of US$8,469,000.

21 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the statement of financial position are analysed as follows:

	2017 HK$'000	2016 HK$'000
Net deferred income tax assets recognised on the statement of financial position	(26,488)	(36,633)
Net deferred income tax liabilities recognised on the statement of financial position	157,248	346,819
	130,760	310,186

The movements in the deferred income tax liabilities/(assets) account are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	310,186	284,477
Exchange differences	(765)	456
Recognised in the income statement (note)	(178,661)	25,253
At 31 December	130,760	310,186

Note:

The amount recognised in 2016 included deferred income tax expenses of HK$7,076,000 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 2017, the Group has unrecognised tax losses of HK$2,657,781,000 (2016: HK$2,556,581,000) to be carried forward against future taxable income. These tax losses will expire as follows:

	2017 HK$'000	2016 HK$'000
After the fifth year	1,419	1,612
No expiry date	2,656,362	2,554,969
At 31 December	2,657,781	2,556,581

21 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 2016	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
Recognised in the income statement	10,064	(204,383)	(194,319)
Exchange differences	(91)	33	(58)
At 31 December 2017	**170,988**	**39,064**	**210,052**

Deferred income tax assets

	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	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
Recognised in the income statement	(777)	(14,881)	(15,658)
Exchange differences	6	701	707
At 31 December 2017	**62,269**	**17,023**	**79,292**

22 RETIREMENT BENEFIT OBLIGATIONS

No forfeited contribution was utilised during the years 2016 and 2017.

Contributions totalling HK$7,458,000 (2016: HK$7,281,000) were payable to the fund at the year end and are included in other payables and accruals.

23 PROFIT BEFORE INCOME TAX

The following items have been charged/(credited) to the profit before income tax during the year:

	2017 HK$'000	2016 HK$'000
Continuing operations		
Net exchange (gains)/losses	**(19,138)**	25,995
Gross rental income from investment properties	**(6,121)**	(22,431)
Direct operating expenses arising from investment properties	**882**	3,099
Loss on disposals of property, plant and equipment	**792**	490
Auditors' remuneration		
– Audit services	**5,311**	4,644
– Non-audit services	**2,891**	4,093
Cost of programmes and film rights	**1,748,388**	1,758,531
Cost of movies	**7,408**	20,956
Cost of other stocks	**33,410**	25,609
Depreciation (Note 6 and 7)	**379,818**	335,032
Amortisation of land use rights (Note 8)	**3,029**	3,046
Amortisation of intangible assets (Note 9)	**5,126**	115
Operating leases		
– Equipment and transponders	**36,822**	15,525
– Land and buildings	**38,945**	37,905
Employee benefit expense (excluding directors' emoluments) (Note 25(a))	**1,657,447**	1,550,086

24 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of all Directors and the chief executive for the years ended 31 December 2017 and 2016 are set out below:

	2017				
Name of Director	**Fees HK$'000**	**Salaries, leave pay and other benefit (note (iv)) HK$'000**	**Discretionary bonuses (note (v)) HK$'000**	**Pension contributions HK$'000**	**Total HK$'000**
Charles Chan Kwok Keung	**776**	–	–	–	**776**
Li Ruigang	**490**	–	–	–	**490**
Mark Lee Po On (note (i))	**240**	**6,625**	**2,700**	**628**	**10,193**
Cheong Shin Keong	**240**	**5,128**	**1,606**	**492**	**7,466**
Mona Fong (note (ii))	**240**	–	–	–	**240**
Anthony Lee Hsien Pin	**425**	–	–	–	**425**
Chen Wen Chi	**390**	–	–	–	**390**
Thomas Hui To	**390**	–	–	–	**390**
Raymond Or Ching Fai	**580**	–	–	–	**580**
William Lo Wing Yan	**595**	–	–	–	**595**
Caroline Wang Chia-Ling	**425**	–	–	–	**425**
Allan Zeman	**295**	–	–	–	**295**
	5,086	**11,753**	**4,306**	**1,120**	**22,265**

	2016				
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit (note (iv)) HK$'000	Discretionary bonuses (note (v)) 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 (iii))	95	–	–	–	95
	4,476	10,993	4,306	1,081	20,856

Notes:

(i) Mr. Mark Lee Po On assumed the functions of the chief executive of the Company.

(ii) Ms. Mona Fong passed away on 22 November 2017.

(iii) Jonathan Milton Nelson resigned on 7 June 2016.

(iv) Salary paid to a Director is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(v) Discretionary bonus are determined and approved in recognition of the Executive Director's performance and contributions to the Company.

24 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Save for contracts amongst group companies, no other significant transactions, arrangements and contracts 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.

25 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

	2017 HK$'000	2016 HK$'000
Continuing operations		
Wages and salaries	**1,568,067**	1,462,169
Pension costs – defined contribution plans	**89,380**	87,917
	1,657,447	1,550,086

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: two) Directors whose emoluments are reflected in the analysis presented in Note 24(a) above. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and leave pay	**12,605**	10,756
Bonuses	**2,460**	2,400
Pension contributions	**471**	464
	15,536	13,620

The aggregate emoluments paid to the three individuals are further analysed into the following bands:

Emolument bands	Number of individuals in each band 2017	2016
HK$3,500,001 – HK$4,000,000	–	1
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	**2**	–
HK$5,500,001 – HK$6,000,000	–	1
HK$6,000,001 – HK$6,500,000	**1**	–
	3	3

25 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 2017	2016
HK$1,000,001 – HK$1,500,000	–	1#
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**	1
HK$3,500,001 – HK$4,000,000	–	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	–	1
HK$7,000,001 – HK$7,500,000	**1**	–
HK$9,000,001 – HK$9,500,000	–	1
HK$9,500,001 – HK$10,000,000	**1**	–
	5	6

* the above emoluments included two (2016: two) Directors of the Company

\# one employee departed from senior management with effect from 1 July 2016

26 OTHER GAINS/(LOSSES), NET

	2017 HK$'000	2016 HK$'000
Settlement loss (Note 36)	–	(70,000)
Net exchange gains/(losses)	**19,138**	(25,995)
Write-off of movie investment	–	(30,000)
	19,138	(125,995)

27 FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank loans and overdraft	**5,151**	959
Interest on Notes (Note 20)	**140,002**	31,232
Amortised amount of transaction costs on Notes	**7,226**	1,623
	152,379	33,814

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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:

	2017 HK$'000	2016 HK$'000
Current income tax:		
– Hong Kong	44,787	42,941
– Overseas	229,812	44,492
– Over provisions in prior years	(1,573)	(371)
Total current income tax	273,026	87,062
Deferred income tax:		
– Origination and reversal of temporary differences	(182,203)	18,177
– Resulting from decrease in tax rate	3,542	–
Total deferred income tax (Note 21)	(178,661)	18,177
	94,365	105,239

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	357,915	552,938
Calculated at a taxation rate of 16.5% (2016: 16.5%)	59,056	91,235
Effect of different taxation rates in other countries	694	7,078
Tax effect on the share of results of associates and joint ventures	2,614	581
Income not subject to taxation	(54,109)	(103,008)
Expenses not deductible for taxation purposes	63,329	64,465
Tax losses not recognised	17,941	4,048
Utilisation of previously unrecognised tax losses	(276)	(549)
Tax credit allowance	(14,347)	(16,021)
Withholding tax on overseas dividend	3,099	60,264
Others	14,395	(2,483)
Over provisions in prior years	(1,573)	(371)
Deferred tax resulting from decrease in tax rate	3,542	–
	94,365	105,239

29 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Non-current asset held for sale

In 2017, the Group had an intention to sell certain investment properties located in Taiwan, as such, the carrying value of such properties amounting to HK$58,716,000 was reclassified as "Non-current asset held for sale". Part of these investment properties sold with a disposal gain of HK$18,483,000 was recognised in April 2017. The remaining held for sale properties with carrying value of HK$42,555,000 have been disposed of subsequent to the year end, as detailed in Note 39.

(b) Discontinued operations

On 10 March 2016, upon the completion of disposal of the remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), 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.

30 EARNINGS PER SHARE

Earnings per share is calculated based on the Group's profit attributable to equity holders of HK$243,621,000 (2016: HK$499,945,000) and 438,000,000 shares in issue throughout the years ended 31 December 2017 and 2016. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	2017 HK$'000	2016 HK$'000
Profit attributable to equity holders of the Company		
– Continuing operations	**243,621**	428,993
– Discontinued operations	**–**	70,952
	243,621	499,945

31 DIVIDENDS

	2017 HK$'000	2016 HK$'000
First interim dividend paid of HK$0.60 (2016: nil) per ordinary share	**262,800**	–
Second interim dividend paid of HK$0.30 (2016: interim dividend of HK$0.60) per ordinary share	**131,400**	262,800
Proposed final dividend of HK$0.30 (2016: nil) per ordinary share	**131,400**	–
Proposed special dividend of HK$0.70 (2016: nil) per ordinary share	**306,600**	–
	832,200	262,800

At a meeting held on 21 March 2018, the Directors recommended a final dividend of HK$0.30 and a special dividend of HK$0.70 per ordinary share. The proposed dividends for 2017 are not reflected as dividend payables in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of profit before income tax including discontinued operations to cash generated from operations:

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**357,915**	630,966
Adjustments for:		
Depreciation and amortisation	**387,973**	338,193
Impairment loss on amounts due from an associate	**–**	22,986
Provision for impairment loss on trade receivables	**32,975**	69,443
Reversal of provision for impairment loss on trade receivables	**(35,490)**	(2,609)
Write-back of impairment loss on amounts due from an associate arising from business combination	**–**	(70,636)
Settlement loss (Note 36)	**–**	70,000
Share of losses of joint ventures	**31,517**	1,791
Share of losses of associates	**1,589**	4,126
Gain on purchase of Notes	**(239)**	–
Gain on disposal of a joint venture	**–**	(78,028)
Gain on disposal of investment properties	**(18,483)**	(279,836)
Loss on disposal of property, plant and equipment	**792**	490
Interest income	**(117,910)**	(50,260)
Finance costs	**152,379**	33,814
Exchange differences	**(61,981)**	29,425
	731,037	719,865
Increase in programmes, film rights, movies and stocks	**(150,811)**	(12,307)
(Increase)/decrease in trade and other receivables, prepayments and deposits	**(227,123)**	146,568
(Decrease)/increase in trade and other payables and accruals	**(48,735)**	110,316
Cash generated from operations	**304,368**	964,442

(b) Net debt reconciliation

	2017 **HK$'000**	2016 HK$'000
Cash and cash equivalents	**831,301**	5,520,962
Borrowings – repayable after one year	**(3,814,406)**	(3,842,493)
(Net debt)/net cash	**(2,983,105)**	1,678,469

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Net debt reconciliation (continued)

	Cash and cash equivalents HK$'000	Liabilities from financing activities HK$'000	Total HK$'000
Net debt as at 1 January 2016	2,125,975	–	2,125,975
Cash flows	3,421,268	(3,842,120)	(420,852)
Foreign exchange adjustments	(26,281)	1,250	(25,031)
Other non-cash movements	–	(1,623)	(1,623)
Net debt as at 31 December 2016	5,520,962	(3,842,493)	1,678,469
Cash flows	(4,849,226)	65,872	(4,783,354)
Foreign exchange adjustments	159,565	(30,798)	128,767
Other non-cash movement	–	(6,987)	(6,987)
Net debt as at 31 December 2017	**831,301**	**(3,814,406)**	**(2,983,105)**

33 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	2017 HK$'000	2016 HK$'000
Guarantees for banking facilities granted to an investee company	**8,086**	7,505

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.

34 COMMITMENTS

(a) Capital commitments

The amounts of commitments for property, plant and equipment are as follows:

	2017 HK$'000	2016 HK$'000
Contracted for but not provided for	**227,277**	300,462

34 COMMITMENTS (continued)

(b) Contractual programme rights and programme contents commitments

The amounts of commitments for programme rights and programme contents are as follows:

	2017 HK$'000	2016 HK$'000
Programme rights and programme contents commitments	**246,354**	291,694

(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:

	2017 HK$'000	2016 HK$'000
Land and buildings		
– not later than one year	**34,643**	36,104
– later than one year and not later than five years	**12,161**	35,894
	46,804	71,998
Equipment and transponders		
– not later than one year	**45,060**	17,334
– later than one year and not later than five years	**11,876**	15,598
	56,936	32,932
	103,740	104,930

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 23.

(d) Operating lease commitments as lessor

At 31 December 2017, the Group had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Land and buildings		
– not later than one year	**3,029**	3,251
– later than one year and not later than five years	**1,843**	3,440
	4,872	6,691

35 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.

36 BUSINESS COMBINATIONS

On 9 November 2016, the Group acquired further equity interest of TVB Pay Vision Holdings Limited ("TVBPVH", now known as Big Big Channel Holdings Limited) 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 was required to recognise the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfied the recognition criteria at their fair values at the date when the Group obtained 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 approximated its fair value. Accordingly, no remeasurement gain or loss was 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.

	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.

36 BUSINESS COMBINATIONS (continued)

	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 2016.

37 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 22 May 2017, the Group acquired an additional 26.32% of the equity interest of TVB Publishing Holdings Limited and its subsidiaries ("TVBPH Group") for a purchase consideration of US$5,000,000. The carrying amount of the non-controlling interests in TVBPH Group on the date of acquisition was HK$35,165,000. The Group recognised a decrease in equity attributable to owners of the Company of HK$3,741,000. The effect of changes in the ownership interest of TVBPH Group on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 **HK$'000**
Carrying amount of non-controlling interests acquired	**35,165**
Consideration paid to non-controlling interests	**(38,906)**
Excess of consideration paid recognised within equity	**(3,741)**

38 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	2017 HK$'000	2016 HK$'000
Sales of services/goods:			
Joint ventures			
Rental income	(i)	–	5,240
Technical and facilities services fees	(i)	–	1,480
Associates			
Programmes and channel licensing fees	(ii)	–	443
Technical and operational service fees	(ii)	–	10,200
Rental income and related charges	(ii)	–	6,707
Service fees income	(iii)	–	29,300
Sales of movie script	(iv)	**1,900**	–
Computer graphic service fees	(iv)	**2,581**	–
Talent fees	(iv)	**1,164**	–
Others	(ii)	–	9,853
Other related party			
*Programmes and channel licensing fees	(v)	**66,548#**	188,727#
*Advertising consultancy fees	(v)	**9,200#**	22,944#
		81,393	274,894
Purchases of services:			
Joint ventures			
Programmes and channel licensing fees	(i)	–	(12,736)
Associates			
Playback and uplink service fees	(ii)	–	(25,514)
Service fees	(vi)	**(1,050)**	(1,050)
Others	(ii)	–	(3,919)
		(1,050)	(43,219)

* 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.

38 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"). Liann Yee ceased to be a joint venture of the Group upon the completion of the disposal on the remaining 47% equity interest on 10 March 2016.

(ii) The fees were received from/(paid to) TVB Network Vision Limited (now known as Big Big Channel Limited), an associate of the Group, which has become a subsidiary since 9 November 2016 upon the further acquisition of its equity interest.

(iii) The fees were received from Shaw Brothers Holdings Limited, an associate of Shine Investment Limited, which is an associate of the Group.

(iv) The fees were received from Shaw Brothers Pictures International Limited ("Shaw Brothers Pictures International"), 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.

(v) The fees were received from MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), a fellow subsidiary of the non-controlling shareholder of the TVBPH Group. Following the acquisition of the remaining equity interests in TVBPH Group as detailed in Note 37, MEASAT ceased to be a related party with effect from 22 May 2017.

(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 disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules have been properly complied with.

During the year, a movie interest of HK$2,000,000 was transferred to Shaw Brothers Pictures International and another movie investment of HK$4,000,000 was acquired from Shaw Brothers Pictures International.

In 2016, the Company supplied channel contents to TVB Network Vision Limited (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

	2017 **HK$'000**	2016 HK$'000
Salaries and other short-term employee benefits	**27,972**	27,402

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties arising from sales/purchases of services

	2017 HK$'000	2016 HK$'000
Receivables from associates (note)	**4,322**	30,743
Receivables from other related parties	**–**	40,679
	4,322	71,422
Payables to other related parties	**–**	4,404

Note:

As at 31 December 2017, a provision for impairment loss of amounts due from associates of HK$1,455,000 (2016: HK$1,443,000) had been provided (Note 15).

(d) Fund advanced/loan to related parties

	2017 HK$'000	2016 HK$'000
Fund advanced to joint ventures		
Beginning of the year	**49,340**	54,398
Repayment of fund advanced	**(7,700)**	(4,400)
Exchange differences	**791**	(658)
End of the year	**42,431**	49,340
Loan to joint ventures		
Beginning of the year	**–**	3,293
Loan provided	**520,383**	–
Interest charged	**26,993**	35
Repayment of loan	**–**	(2,917)
Interest received	**–**	(367)
Exchange differences	**775**	(44)
End of the year	**548,151**	–

39 EVENT SUBSEQUENT TO THE YEAR END

On 13 February 2017, a revised offer was made to buy-back, subject to conditions, up to 120,000,000 shares, representing 27.40% of the share capital of the Company, at the price of HK$35.075 per share. The Company had applied to the High Court for a judicial review on certain decisions of the Takeovers and Mergers Panel of the Securities and Futures Commission. A court hearing took place on 26 and 27 September 2017. On 4 October 2017, the High Court gave its determination which affirmed the Company's position to proceed with the revised offer in its original form. Following the High Court decision, the revised offer was pending the conclusion of the Communications Authority's assessment of the two shareholding change applications submitted by the Company in January 2015 and February 2016 ("2015 and 2016 Applications"). Subsequent to the year end, on 23 January 2018, the Company announced the revised offer will not proceed due to the timeline for the conclusion of the Communications Authority's assessment of the 2015 and 2016 Applications was not certain. Accordingly, the related professional fees were charged to the 2017 consolidated income statement.

Subsequent to the year end, on 7 March 2018, the Group entered into an agreement, pursuant to which the Group agreed to dispose of certain properties in Taiwan at a consideration of NT$275,176,000. The properties have been classified as "Non-current asset held for sale" in the 2017 consolidated statement of financial position.

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,430,425**	1,490,974
Land use rights	**16,577**	16,992
Intangible assets	**64,032**	51,356
Interests in subsidiaries	**1,540,251**	400,534
Interests in joint ventures	**18,331**	26,031
Interests in associates	**174,000**	174,000
Held-to-maturity financial assets	**778,058**	523,509
Prepayments	**77,109**	49,042
Total non-current assets	**4,098,783**	2,732,438
Current assets		
Programmes and film rights	**827,202**	710,453
Stocks	**4,470**	4,070
Trade and other receivables, prepayments and deposits	**1,413,429**	2,259,995
Tax recoverable	**–**	45,712
Held-to-maturity financial assets	**62,737**	775,400
Restricted cash	**4,305,208**	–
Bank deposits maturing after three months	**55,276**	620,320
Cash and cash equivalents	**3,885**	3,265,289
Total current assets	**6,672,207**	7,681,239
Total assets	**10,770,990**	10,413,677

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Statement of financial position of the Company (continued)

	2017 HK$'000	2016 HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**664,044**	664,044
Other reserves	**70,000**	70,000
Retained earnings	**4,784,971**	5,279,587
Total equity	**5,519,015**	6,013,631
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**116,600**	97,023
Loan due to a subsidiary	**3,880,844**	3,842,493
Total non-current liabilities	**3,997,444**	3,939,516
Current liabilities		
Trade and other payables and accruals	**1,253,216**	460,530
Current income tax liabilities	**1,315**	–
Total current liabilities	**1,254,531**	460,530
Total liabilities	**5,251,975**	4,400,046
Total equity and liabilities	**10,770,990**	10,413,677

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2018 and was signed on its behalf.

Charles Chan Kwok Keung	**Mark Lee Po On**
Director	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 2016 and 31 December 2016 and 1 January 2017 and 31 December 2017	**70,000**

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 21 March 2018.

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
Art Limited	10,000	HK$10,000	100	–	Film licensing and distribution
MyTV Super Limited (formerly known as TVB.COM Limited)	2	HK$2	100	–	Hong Kong digital new media business
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 (continued)

Incorporated in Hong Kong (continued)

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	100	–	Magazine publications
TVB Publishing Holding Limited	90,000,000	HK$199,710,000 (note (c))	100	–	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
Big Big Channel Holdings Limited (formerly known as 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*	–	
Big Big Channel Limited (formerly known as TVB Network Vision Limited)	2	HK$2	99.99	–	Big Big Channel business
The Voice Entertainment Group Limited	1	HK$1	99.99	–	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	99.99	–	Publishing and licensing of musical works

* The Group holds approximately 99.99% economic interest in Big Big Channel Holdings Limited.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories

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
Big Big Channel Media Limited (formerly known as 聯意投資股份有限公司)	Taiwan	75,000,000	NT$750,000,000	100	–	Investment holding and provision of subscription television programmes
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories (continued)

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 Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution
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) 4,500,000 ordinary shares amounting to HK$38,700,000 remained unpaid as at 31 December 2017.

(d) Represented ordinary share capital, unless otherwise stated.

(e) All principal subsidiaries are limited liability companies.