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 20 March 2019.

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 Notes 2.1 and 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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

– HKFRS 9, "Financial instruments" and

– HKFRS 15, "Revenue from contracts with customers".

The impact of the adoption of these standards and the new accounting policies are disclosed as below. The other standards effective for the financial year ended 31 December 2018 do not have a material impact on the Group.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

HKFRS 9 – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.1(a)(iii) below.

The Group has applied the transition exemptions, which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	HK$'000
Balance at 31 December 2017 as originally presented	6,182,512
Increase in provision for trade receivables	(12,397)
Opening retained earnings at 1 January 2018	6,170,115

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available-for-sale HK$'000	Held-to-maturity HK$'000	Fair value through other comprehensive income ("FVOCI") HK$'000	Amortised cost HK$'000
Closing balance at 31 December 2017 - HKAS 39	47,436	774,566	–	–
Reclassify investments from available-for-sale to FVOCI	(47,436)	–	47,436	–
Reclassify bond securities from held-to-maturity to amortised cost	–	(774,566)	–	774,566
Opening balance at 1 January 2018 -HKFRS 9	–	–	47,436	774,566

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(i) Classification and measurement (continued)

The main effects resulting from this reclassification are as follows:

Reclassification from available-for-sale to FVOCI

The Group elected to present in other comprehensive income ("OCI") for changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

Reclassification from held-to-maturity to amortised cost

Bond securities that would have previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognised in opening retained earnings.

(ii) Impairment of financial assets

The Group's trade receivables and debt instruments carried at amortised cost and FVOCI are subject to HKFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under HKFRS 9. The impact of the change in impairment methodology on the Group's retained earnings is disclosed as follows:

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) Impairment of financial assets (continued)

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Loss allowance provision for trade receivables HK$'000
Balance at 31 December 2017	
– calculated under HKAS 39	173,068
Amounts restated through opening retained earnings	12,397
Opening loss allowance at 1 January 2018	
– calculated under HKFRS 9	185,465

On that basis, the loss allowance provision for trade receivables as at 1 January 2018 was determined as follows:

	Gross carrying amount HK$'000	Loss allowance provision HK$'000	Expected loss rate %
Up to 5 months	1,211,196	35,769	3%
Over 5 months to 1 year	228,274	30,145	13%
Over 1 year	152,761	119,551	78%
	1,592,231	185,465	

Details of the loss allowance provision for trade receivables as at 31 December 2018 are disclosed in Note 16.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) Impairment of financial assets (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Debt investments

Except SMI Holdings Group Limited ("SMI") Bonds and China Energy Reserve and Chemicals Group ("CERC") Bonds as detailed in Note 13(b) and Note 13(c) respectively, all of the Group's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year would be therefore limited to 12 months expected losses. Management considers the credit risk for bonds is low as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, resulted in immaterial impact on the loss allowance for these financial assets.

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt investments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 9 – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

Debt investments (continued)

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other revenues when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses), net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For debt instruments at amortised cost and FVOCI at 1 January 2018, the Group applies 12 months expected credit losses permitted by HKFRS 9, no resulted loss allowance were recognised on 1 January 2018.

(iv) HKFRS 15 – Accounting policies applied from 1 January 2018

The Group has used the modified retrospective approach for transition to the new revenue standard, which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 January 2018 and that comparatives have not been restated.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(iv) HKFRS 15 – Accounting policies applied from 1 January 2018 (continued)

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service is transferred to a customer.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs, which best depict the Group's performance in satisfying the performance obligation.

The timing of revenue recognition and accounting policies under HKFRS 15 for the Group is not materially different from the prior reporting periods.

Incremental costs incurred to obtain a contract or the costs incurred to generate/enhance resources of the Group that will be used in satisfying performance obligations of a specifically identified contract in the future, if recoverable, are capitalised as contract acquisition and fulfilment costs and subsequently amortised when the related revenue is recognised. To reflect this change in presentation, contract acquisition and fulfilment costs with amount of HK$16,871,000 and HK$13,633,000 are now separately presented under trade and other receivables, prepayments and deposits as at 1 January 2018 and 31 December 2018 respectively, as a result of the adoption of HKFRS 15.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

(iv) HKFRS 15 – Accounting policies applied from 1 January 2018 (continued)

A contract liability is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance. To reflect this change in presentation, contract liabilities, including certain receipts in advance, deferred revenue and customers' deposits, with amount of HK$273,170,000 and HK$158,663,000 are now separately presented under trade and other payables and accruals as at 1 January 2018 and 31 December 2018 respectively, as a result of the adoption of HKFRS 15.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

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 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$104,237,000. The Group preliminarily estimates that approximately 16% 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 remaining operating lease commitments will be recognised in the consolidated financial statements as right-of-use assets, with corresponding lease liabilities. However, the Group assessed that there would not be significant effect on the Group's profit and classification of cash flows.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 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.

2.4 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	Shorter of remaining lease term or useful life
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 5 - 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 and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

2.11 Financial assets

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's following accounting policy. The accounting policies after adoption of HKFRS 9 from 1 January 2018 are detailed in Note 2.1(a)(iii).

Accounting policies applied until 31 December 2017

Classification

Until 31 December 2017, 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", "restricted cash" 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.

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

2.11 Financial assets (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains or losses from investment securities.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less accumulated impairment.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.12 Impairment of financial assets

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's following accounting policy. The accounting policies after adoption of HKFRS 9 from 1 January 2018 are detailed in Note 2.1(a)(iii).

(a) Assets carried at amortised cost

Until 31 December 2017, 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.

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

2.12 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables and held-to-maturity financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

Until 31 December 2017, 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 and film rights

Programmes and film rights 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.

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

2.13 Programmes and film rights (continued)

(a) Programme cost (continued)

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.

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 and borrowing costs

The Group's borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred income tax.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 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)

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 over time (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 over time when the programmes are telecast. Commercial production income is recognised over time when the commercials are delivered to advertisers.

Co-production income includes programme production income received from co-producers. Its exclusive programme exploitation right in defined geographical areas is granted to co-producer. The co-production income would be recognised over time if the programme-in-progress created by the Group does not have an alternative use due to the contract restrictions and the Group has an enforceable right to payment for performance completed to date.

Income from licensing of programme rights is recognised evenly over the contract period when a customer is granted with a right to access the programme rights as it exists throughout the licence period. Alternatively, Income from licensing programme rights is recognised at a single point in time upon delivery of the programmes when a customer is provided with a right to use the programme rights as it exists at the point in time at which the licence is granted. Income from licensing of content to mobile devices and website portals is recognised over time when the services are rendered. Distribution income from video sell through is recognised at a point in time when the control is transferred to customers upon delivery of the video.

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

2.25 Revenue recognition (continued)

Subscription income from the operation of pay television networks and OTT services are recognised on a straight-line basis over time which generally coincides with when the services are rendered over the contract period. The incremental set-top box costs for obtaining OTT service contracts are required to be capitalised as contract acquisition and fulfilment costs under trade and other receivables in the statement of financial position. Unearned subscription fees received from subscribers are recorded as contract liabilities under trade and other payables and accruals in the statement of financial position.

E-commerce income primarily comprised of revenue from concessionaire sales and merchandise sales. Revenue from concessionaire sales are recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Concessionaire sales are recognised on a net basis which is based on a fixed percentage of the sales amount. Revenue from merchandise sales and related costs are recognised on a gross basis when the Group acts as a principal. Revenue from concessionaire sales and merchandise sales are recognised at a point in time when the control of products are transferred to a customer.

Income from sales of decoders and sales of magazines is recognised at a point in time upon delivery of products. Movie income is recognised over time when the movie picture is exhibited over a period 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 over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance.

2.26 Dividend and interest income

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.

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

2.28 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

2.29 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/(loss) 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.

	2018		2017	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Decrease/ (increase) in loss after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**6%**	**9,875**	8%	15,515
	(6%)	**(9,875)**	(8%)	(15,515)
Malaysian Ringgit	**6%**	**1,999**	11%	4,771
	(6%)	**(1,999)**	(11%)	(4,771)

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 2018 and 2017 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 loss after taxation for the year would have decreased/increased by HK$6,157,000 (2017: profit after taxation would have increased/decreased by HK$47,217,000) in respect of bank deposits.

(b) Credit risk

The Group's credit risk is primarily attributable to its financial assets at amortised cost, credit sales, bank balances and bank deposits. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. The credit risk on trade receivables is not considered significant given the majority of credit sales relate to reputable advertising agencies with no recent history of default. In addition, the Group reviews the recoverable amount of each individual trade debtor, associate and joint venture at the end of each reporting period to ensure that impairment has adequately been provided for doubtful debts. The expected loss rating and the gross amount as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined and disclosed on Note 16 and Note 2.1(a)(ii) respectively. The credit risk on bank balances is limited as the banks are of acceptable credit ratings. The credit risk on financial assets at amortised cost, except SMI Bonds and CERC bonds as described in Note 13(b) and Note 13(c) respectively, 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).

	2018		2017	
	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	**137,472**	**406,627**	139,261	406,780
Between 1 and 2 years	**110,090**	**–**	139,261	–
Between 2 and 5 years	**3,147,068**	**–**	4,120,209	–
	3,394,630	**406,627**	4,398,731	406,780

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 net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) 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 ratio at 31 December 2018 and 2017 was as follows:

	2018 HK$'000	2017 HK$'000
Net debt (Note 34(b))	**1,832,413**	2,983,105
Total equity	**6,307,031**	7,157,047
Gearing ratio – Net debt to total equity ratio	**29.1%**	41.7%

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 2018 and 2017, the fair value measurement of the Group's available-for-sale financial assets/financial assets at FVOCI and FVPL is classified in level 3.

Financial assets at FVOCI comprise unlisted equity investment without an active market. The Group establishes the fair value of the unlisted equity investments by using valuation techniques including market comparison method by comparison to the prices at which other similar business nature companies, and the adjusted net assets value method.

The major methods and assumptions used in estimating the fair values of financial assets at FVPL are detailed in Note 14.

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) Financial assets at amortised cost

The loss allowances for financial assets at amortised cost (including trade receivables and bond securities at amortised cost) are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used for bond securities at amortised cost and trade receivables are disclosed in Notes 13 and 16 respectively.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Fair value estimation of financial assets at FVPL

The fair value of financial assets at FVPL that are not traded in an active market is determined using valuation techniques. The Group assesses its fair value of the financial assets at FVPL by reference to valuation performed by the independent professional qualified valuer. Discounted cash flow model under income approach is used for valuation of the fair value and it is dependent on certain key assumptions that required significant management judgement. The key assumptions used in estimating the fair value are detailed in Note 14.

5 REVENUE, INTEREST INCOME, 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 e-commerce income, sales of magazines, management fee income, movie income, facility rental income and other service fee income.

The amount of each significant category of revenue recognised during the year is as follows:

	2018	2017
	HK$'000	HK$'000
Revenue		
Income from advertisers, net of agency deductions	**2,714,248**	2,659,979
Licensing income	**842,489**	875,256
Subscription income	**281,962**	255,861
Co-production income	**298,919**	185,338
Others	**385,848**	415,070
	4,523,466	4,391,504
Less: withholding tax	**(46,160)**	(55,773)
	4,477,306	4,335,731
Interest income	**255,179**	117,910
Other revenues	**17,477**	24,104
	4,749,962	4,477,745

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group is principally engaged in terrestrial television broadcasting with programme production, myTV SUPER, Big Big Channel business, programme licensing and distribution, overseas pay TV and TVB Anywhere, 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. During the year, the Group has determined to merge "Channel operations" into "Programme licensing and distribution" in view of similar business to distribute television channels operated by these two segments. In addition, the Group has renamed the segments "Hong Kong digital new media business" and "Overseas pay TV operations" to "myTV SUPER" and "Overseas pay TV and TVB Anywhere" respectively. The directors of the Company consider that the changes in the reportable segments 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)	myTV SUPER	–	operation of myTV SUPER OTT service and website portals
(c)	Big Big Channel business	–	Big Big Channel (online social media platform), Big Big Shop (e-commerce platform) 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 in Mainland China, Malaysia, Singapore and other countries
(e)	Overseas pay TV and TVB Anywhere	–	provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences
(f)	Other activities	–	magazine publications, movie, property investment and other services
(g)	Corporate support	–	financing services, and new media platforms development and IT support 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/(loss) 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, INTEREST INCOME, 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$'000	myTV SUPER HK$'000	Big Big Channel business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV and TVB Anywhere HK$'000	Other activities HK$'000	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2018									
Revenue									
External customers	2,923,441	402,050	87,274	869,867	140,239	54,435	–	–	4,477,306
Inter-segment	49,721	42,847	15,296	60,588	–	7,905	66,555	(242,912)	–
Total	2,973,162	444,897	102,570	930,455	140,239	62,340	66,555	(242,912)	4,477,306
Timing of revenue recognition									
At a point in time	24,183	1,488	3,153	205,039	70	13,831	–	–	247,764
Over time	2,899,258	400,562	84,121	664,828	140,169	40,604	–	–	4,229,542
Total revenue from external customers	2,923,441	402,050	87,274	869,867	140,239	54,435	–	–	4,477,306
Reportable segment profit before the following items	172,676	15,625	(19,437)	414,340	(15,506)	(16,751)	(128,728)	–	422,219
Impairment loss on bond securities at amortised cost	(206,125)	–	–	–	–	–	–	–	(206,125)
Fair value loss on financial assets at fair value through profit or loss	(320,000)	–	–	–	–	–	–	–	(320,000)
Gain on disposal of investment properties	–	–	–	–	–	27,058	–	–	27,058
Reportable segment loss	(353,449)	15,625	(19,437)	414,340	(15,506)	10,307	(128,728)	–	(76,848)
Interest income#	177,269	29	6	10,407	56	1,445	–	–	189,212
Finance costs	–	–	–	–	–	–	(128,495)	–	(128,495)
Depreciation and amortisation	(295,622)	(90,970)	(5,221)	(12,013)	(5,872)	(5,003)	(6,065)	–	(420,766)
Additions to non-current assets*	249,582	76,148	3,262	8,346	7,332	139	57,728	–	402,537
For the year ended 31 December 2017 (restated)									
Revenue									
External customers	2,817,857	280,295	44,008	954,654	151,257	87,660	–	–	4,335,731
Inter-segment	52,058	25,649	24,674	61,974	–	5,654	–	(170,009)	–
Total	2,869,915	305,944	68,682	1,016,628	151,257	93,314	–	(170,009)	4,335,731
Timing of revenue recognition									
At a point in time	7,136	1,538	4,240	15,838	64	21,896	–	–	50,712
Over time	2,810,721	278,757	39,768	938,816	151,193	65,764	–	–	4,285,019
Total revenue from external customers	2,817,857	280,295	44,008	954,654	151,257	87,660	–	–	4,335,731
Reportable segment profit before gain on disposal of investment properties	164,978	(84,875)	(10,915)	504,223	(52,960)	6,203	(152,379)	–	374,275
Gain on disposal of investment properties	–	–	–	–	–	18,483	–	–	18,483
Reportable segment profit	164,978	(84,875)	(10,915)	504,223	(52,960)	24,686	(152,379)	–	392,758
Interest income#	81,775	75	414	4,729	166	3,758	–	–	90,917
Finance costs	–	–	–	–	–	–	(152,379)	–	(152,379)
Depreciation and amortisation	(286,732)	(72,006)	(6,662)	(12,022)	(5,506)	(5,045)	–	–	(387,973)
Additions to non-current assets*	269,973	161,201	23,373	14,206	13,643	749	–	–	483,145

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

excluding interest income from a joint venture

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment (loss)/profit to (loss)/profit before income tax is provided as follows:

	2018 HK$'000	2017 HK$'000
Reportable segment (loss)/profit	**(76,848)**	392,758
Professional fees incurred for the aborted share buy-back offer	**–**	(28,730)
Interest income from a joint venture	**65,967**	26,993
Share of losses of joint ventures	**(113,968)**	(31,517)
Share of profits/(losses) of associates	**809**	(1,589)
(Loss)/profit before income tax	**(124,040)**	357,915

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

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

	2018 HK$'000	2017 HK$'000
Hong Kong	**3,153,141**	3,039,503
Mainland China	**732,874**	529,592
Malaysia and Singapore	**371,768**	512,517
USA and Canada	**121,583**	123,232
Vietnam	**25,719**	47,844
Australia	**22,543**	42,809
Europe	**11,165**	9,039
Other territories	**38,513**	31,195
	4,477,306	4,335,731

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

	2018 HK$'000	2017 HK$'000
Hong Kong	**2,148,554**	2,180,569
USA and Canada	**718,517**	770,774
Mainland China	**75,159**	83,860
Taiwan	**40,349**	41,268
Australia	**–**	565
Other territories	**857**	546
	2,983,436	3,077,582

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 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
At 1 January 2018	1,202,605	60,092	2,683,341	1,379,192	49,091	5,374,321
Exchange differences	(901)	(443)	(1,097)	(464)	(16)	(2,921)
Additions	–	5,596	119,281	218,503	2,635	346,015
Disposals	(22,928)	(1,582)	(118,063)	(30,163)	(1,938)	(174,674)
At 31 December 2018	**1,178,776**	**63,663**	**2,683,462**	**1,567,068**	**49,772**	**5,542,741**
Accumulated depreciation and impairment						
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	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
At 1 January 2018	651,117	51,161	1,997,368	760,607	39,533	3,499,786
Exchange differences	(264)	(425)	(1,082)	(323)	(15)	(2,109)
Charge for the year (Note 24)	42,782	7,750	172,354	177,534	5,066	405,486
Written back on disposals	(22,927)	(650)	(116,878)	(29,099)	(1,938)	(171,492)
At 31 December 2018	**670,708**	**57,836**	**2,051,762**	**908,719**	**42,646**	**3,731,671**
Net book value						
At 31 December 2018	**508,068**	**5,827**	**631,700**	**658,349**	**7,126**	**1,811,070**
At 31 December 2017	551,488	8,931	685,973	618,585	9,558	1,874,535

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK$19,989,000 (2017: HK$4,064,000) as they were not ready in use at the year end.

(b) At 31 December 2018, the net book values of leasehold land held under finance leases were analysed as follows:

	2018 HK$'000	2017 HK$'000
Leases of between 10 to 50 years	**129,036**	133,604
Leases of over 50 years	**4,686**	4,851
	133,722	138,455

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
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 31)	(70,089)
Exchange differences	3,333
At 31 December 2017	41,215
At 1 January 2018	41,215
Exchange differences	(1,248)
At 31 December 2018	**39,967**
Accumulated depreciation	
At 1 January 2017	23,105
Charge for the year	850
Transferred to property, plant and equipment (Note 6)	(3,239)
Transferred to non-current asset held for sale (Note 31)	(11,373)
Exchange differences	766
At 31 December 2017	10,109
At 1 January 2018	10,109
Charge for the year (Note 24)	846
Exchange differences	(355)
At 31 December 2018	**10,600**
Net book value	
At 31 December 2018	**29,367**
At 31 December 2017	31,106
Fair values (note)	
At 31 December 2018	**52,556**
At 31 December 2017	54,321

Note:

The Group's investment properties were valued at 31 December 2018 and 2017 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 2018 and 2017, 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:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**54,301**	54,550
Amortisation (Note 24)	**(3,087)**	(3,029)
Exchange differences	**(1,728)**	2,780
At 31 December	**49,486**	54,301

9 INTANGIBLE ASSETS

	Software development cost HK$'000
Year ended 31 December 2017	
Opening net book amount	59,303
Additions	31,392
Amortisation charge	(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

9 INTANGIBLE ASSETS (continued)

	Software development cost HK$'000
Year ended 31 December 2018	
Opening net book amount	85,587
Additions	65,969
Amortisation charge (Note 24)	(11,347)
Exchange differences	(49)
Closing net book amount	140,160
At 31 December 2018	
Cost	156,746
Accumulated amortisation	(16,586)
Net book amount	**140,160**

10 INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Non-current		
Investment costs	**273,394**	273,163
Less: accumulated share of losses	**(153,506)**	(38,971)
	119,888	234,192
Funds advanced to joint ventures (note (b))	**29,755**	42,431
Loan to a joint venture (note (a))	**522,100**	521,083
Interest receivable from a joint venture (note (a))	**62,652**	–
	734,395	797,706
Less: share of losses in excess of investment costs	**(27,153)**	(28,568)
	707,242	769,138
Current		
Interest receivable from a joint venture (note (a))	**30,375**	27,068
	737,617	796,206

10 INTERESTS IN JOINT VENTURES (continued)

	2018 **HK$'000**	2017 HK$'000
At 1 January	**796,206**	20,193
Add: investment costs (note (a))	**–**	266,810
Add: loan to a joint venture	**–**	520,383
Less: repayment of fund advanced	**(12,159)**	(7,700)
Add: interest receivables from joint ventures	**65,967**	26,993
Share of losses for the year	**(113,968)**	(31,517)
Exchange differences	**1,571**	1,044
At 31 December	**737,617**	796,206

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$10,024,000 (2017: HK$11,150,000) 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$19,731,000 (2017: HK$31,281,000) 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$27,153,000 (2017: HK$28,568,000) 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 2018 and 2017.

(c) As at 31 December 2018 and 2017, the carrying amounts of the loan and advances approximated their fair values. No loss allowance was recognised for loan to and interest receivables from ITT at 31 December 2018, as the Group considered the credit risk of default for ITT was low and these was no past due amount from ITT.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018#			As at 31 December 2017#		
	Concept Legend HK$'000	**ITT HK$'000**	**Total HK$'000**	Concept Legend HK$'000	ITT HK$'000	Total HK$'000
Assets						
Cash and cash equivalents	**8,752**	**700,556**	**709,308**	12,607	765,335	777,942
Other current assets (excluding cash and cash equivalents)	**1,815**	**28,150**	**29,965**	29,749	12,515	42,264
Total current assets	**10,567**	**728,706**	**739,273**	42,356	777,850	820,206
Liabilities						
Current financial liabilities (excluding trade payables)	**(39,462)**	**–**	**(39,462)**	(62,262)	–	(62,262)
Other current liabilities (including trade payables)	**(5,364)**	**(30,706)**	**(36,070)**	(14,930)	(29,202)	(44,132)
Total current liabilities	**(44,826)**	**(30,706)**	**(75,532)**	(77,192)	(29,202)	(106,394)
Total non-current financial liabilities	**–**	**(584,752)**	**(584,752)**	–	(521,083)	(521,083)
	(44,826)	**(615,458)**	**(660,284)**	(77,192)	(550,285)	(627,477)
Net assets/(liabilities)	**(34,259)**	**113,248**	**78,989**	(34,836)	227,565	192,729
Interest in joint ventures (50% for Concept Legend; ∆100% for ITT)	**(17,129)**	**113,248**	**96,119**	(17,418)	227,565	210,147
Add: Capitalised professional fees	**–**	**6,640**	**6,640**	–	6,627	6,627
Carrying value*	**(17,129)**	**119,888**	**102,759**	(17,418)	234,192	216,774

* excluding fund advanced, loan and interest receivable

∆ 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 2018#			For the year ended 31 December 2017#		
	Concept Legend HK$'000	ITT HK$'000	Total HK$'000	Concept Legend HK$'000	ITT HK$'000	Total HK$'000
Revenue	25	–	25	1,464	–	1,464
Interest income	–	8,282	8,282	–	–	–
Depreciation	–	–	–	–	–	–
Interest expense	–	(65,967)	(65,967)	–	(26,993)	(26,993)
Profit/(loss) from operations	519	(114,866)	(114,347)	2,740	(32,887)	(30,147)
Income tax credit	58	–	58	–	–	–
Post-tax profit/(loss) for the year	577	(114,866)	(114,289)	2,740	(32,887)	(30,147)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income/(loss)	577	(114,866)	(114,289)	2,740	(32,887)	(30,147)
Dividends received from joint ventures	–	–	–	–	–	–

The financial position and result of 上海翡翠珍宝 is not presented in 2018 and 2017 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 2018 and 2017.

11 INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Investment costs	174,000	174,000
Less: accumulated share of losses	(4,906)	(5,715)
(Less)/add: accumulated share of other comprehensive (loss)/income	(6,965)	1,201
	162,129	169,486

11 INTERESTS IN ASSOCIATES (continued)

	2018 HK$'000	2017 HK$'000
At 1 January	**169,486**	159,923
Share of profit/(loss) for the year	**809**	(1,589)
Share of other comprehensive (loss)/income	**(8,166)**	11,152
At 31 December	**162,129**	169,486

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 that is material to the Group and reconciliation to the carrying amount of the Group's share of net assets of the associate:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Assets		
Current financial assets	**1,138**	1,138
Interest in an associate	**404,795**	422,927
	405,933	424,065
Liabilities		
Current financial liabilities	**(350)**	(350)
Net assets	**405,583**	423,715
Interest in associates (40%) and carrying value	**162,233**	169,486

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Revenue	**–**	–
Share of profit/(loss) of associate	**2,284**	(3,972)
Post-tax profit/(loss) for the year	**2,284**	(3,972)
Other comprehensive (loss)/income	**(20,416)**	27,880
Total comprehensive (loss)/income	**(18,132)**	23,908
Dividends received from associate	**–**	–

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
At 1 January	**47,436**	47,436
Fair value loss	**(7,661)**	–
At 31 December	**39,775**	47,436
Presentation in the consolidated statement of financial position:		
Financial assets at fair value through other comprehensive income	**39,775**	–
Available-for-sale financial assets	**–**	47,436
	39,775	47,436

Details of material financial assets at fair value through other comprehensive income 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%
Fairchild Television Limited	Canada	Canada	Operation of specialty television channels	Ordinary shares of C$1 each	20%

The financial assets at FVOCI are denominated in US dollars and Canadian dollars and their fair values are included in level 3 fair value hierarchy. The maximum exposure to credit risk is the carrying value of the financial assets at FVOCI.

13 FINANCIAL ASSETS AT AMORTISED COST/HELD-TO-MATURITY FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Non-current		
Bond securities at amortised cost:		
Unlisted	**447,936**	220,987
Listed in Hong Kong	**814,280**	279,328
Listed in other countries	**1,185,237**	211,514
Less: provision for impairment loss on bond securities (notes (b) and (c))	**(206,125)**	–
	2,241,328	711,829
Current		
Bond securities at amortised cost:		
Listed in Hong Kong	**15,652**	62,737
	2,256,980	774,566
Presentation in the consolidated statement of financial position:		
Financial assets at amortised cost	**2,256,980**	–
Held-to-maturity financial assets	**–**	774,566
	2,256,980	774,566

13 FINANCIAL ASSETS AT AMORTISED COST/HELD-TO-MATURITY FINANCIAL ASSETS (continued)

Notes:

(a) The bond securities carry a weighted average yield to maturity of 5.67% (2017: 6.03%) per annum and the maturity dates are ranging from 28 July 2019 to 1 October 2027. The largest fixed income securities from the same issuer within the portfolio, which is made up by a total of 45 (2017: 18) issuers of fixed income securities, represented approximately 2.7% (2017: 1.7%) of the total assets of the Group as at 31 December 2018. They are denominated in Hong Kong dollars and US dollars. The interest received during the year from the bond securities at amortised cost amounted to HK$108,636,000 (2017: HK$39,822,000).

The carrying amounts of the financial assets at amortised cost approximate their fair values. The maximum exposure to credit risk is the carrying values of the financial assets at amortised cost. Excepted for SMI's fixed coupon bonds and CERC Bonds detailed in Notes 13(b) and 13(c), no provision for impairment loss for other bond securities at amortised cost was made at 31 December 2018 as these financial assets were considered to be of low credit risk and the expected credit loss of these financial assets was minimal.

(b) SMI Fixed Coupon Bonds

On 23 April 2018, the Group subscribed a US$23,000,000 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) ("Fixed Coupon Bonds") issued by SMI. Trading in SMI's shares on the Stock Exchange has been suspended with effect from 3 September 2018. The suspension of trading of SMI's shares for a period of more than ten consecutive trading days has triggered an event of default for Fixed Coupon Bonds in accordance with the subscription agreement. SMI has made announcements that since its trading suspension, SMI and certain of its subsidiaries have defaulted in certain borrowings. Pursuant to SMI's announcement dated 12 March 2019, SMI was in progress of its debt restructuring by way of prospective conversion of certain outstanding debts into equity of SMI, and the raising of capital by way of prospective subscription of new shares of SMI. However, the letters of intent and the memorandum of understanding in relation to the above-mentioned debt restructuring activities are not legally binding, and may or may not materialise.

In view of the above background, management performed an impairment assessment of the Fixed Coupon Bonds using a lifetime expected credit loss model, which estimated the eventual shortfall of cash recoverable from the Fixed Coupon Bonds. Based on management's impairment assessment, a full impairment charge of the Fixed Coupon Bonds of HK$180,125,000 was recognised for the year ended 31 December 2018. The impairment assessment used key inputs based on financial information extracted from the 2017 audited financial statements and 2018 interim financial information of SMI Group and other forward looking factors in view of SMI's recent announcements.

13 FINANCIAL ASSETS AT AMORTISED COST/HELD-TO-MATURITY FINANCIAL ASSETS (continued)

Notes:

(c) CERC Bonds

The Group had purchased the CERC Bonds totalling US$12 million nominal amount (2018 Bond US$6 million and 2019 Bond US$6 million). On 11 May 2018, CERC had defaulted the principal payment of the 2018 CERC Bond due in May 2018 and as a result, this triggered a cross default for the 2019 CERC Bond. CERC is a state-owned oil and gas trading, logistics and distribution and supply services provider in China. According to CERC's announcement dated 25 May 2018, CERC plans to divest certain of its assets in order to resolve its current cash flow difficulties. Management has reviewed a report ("Report") dated 17 August 2018 and prepared by FTI Consulting (Hong Kong) Limited, the financial advisor appointed by CERC, in relation to, among other things, a review of the financial condition of CERC. CERC has prepared a plan for the repayment of the principal and the interest over an eight-year period. On 24 December 2018, the Group had received coupon interests from CERC Bonds. Based on the review of the Report and the receipt of the bond interests, management believes that CERC has both the intention and ability to settle the outstanding balances in an extended schedule. The Group has approached the impairment assessment by way of discounting of the cashflow over an eight-year period and has adopted a discount rate of 14% as the basis for calculation of the net present value of the CERC Bonds. On this basis, an impairment loss of HK$26,000,000 was made during the year.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
At 1 January	–	–
Subscription of convertible bonds	651,509	–
Change in fair value	(320,000)	–
Exchange differences	(1,494)	–
At 31 December	330,015	–

In addition to the Fixed Coupon Bonds described in Note 13(b), the Group subscribed a US$83,000,000 7.5% secured redeemable convertible bonds due 2020 (extendable to 2021 by mutual agreement) ("Convertible Bonds") issued by SMI on 7 May 2018. The Company may exercise its right to convert all or any part of the principal amount of the Convertible Bonds into new shares of SMI at any time during the period from and including the date falling six months from 7 May 2018 up to the close of the business on the maturity date of the Convertible Bonds at the initial conversion price of HK$3.85 per conversion share. None of them was converted up to 31 December 2018.

Under the subscription agreement of the Convertible Bonds and a related share charge agreement with SMI dated 7 May 2018, the Convertible Bonds are secured by way of a priority charge against 100% of the issued share capital of SMI International Cinemas Limited ("SMI International", an indirect wholly owned subsidiary of SMI) (the "Collateral"). SMI International is an investment holding company that owns 41.34% of the registered capital of Chengdu Runyun Culture Broadcasting Limited ("Chengdu Runyun"). Chengdu Runyun and its subsidiaries (together, the "Chengdu Runyun group") operates SMI's principal business as cinema operators in a number of cities in the Mainland China.

As at 31 December 2018, management performed a fair value assessment of the Convertible Bonds in respect of the debt and equity conversion features, together with the Collateral pledged against the Convertible Bonds. As a result of the assessment performed on the Fixed Coupon Bonds as described in Note 13(b) and the suspension of trading of SMI's shares which triggered an event of default for Convertible Bonds, management considered the debt and equity conversion features of the Convertible Bonds would have a minimal value. Therefore, management has determined to perform a fair value assessment on the Collateral. Management has engaged an independent firm of professionally qualified valuers to perform a valuation of the Chengdu Runyun group using the discounted cash flow model under the income approach. Based on the fair value assessment, the Group recognised a fair value loss of HK$320,000,000 on the Convertible Bonds for the year ended 31 December 2018.

The fair value assessment of the Collateral is determined based on a financial forecast of Collateral business covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated rate stated below. The key assumptions adopted in the model calculation are as follows:

Gross margin:	46%
Growth rate of number of cinemas:	25-33%
Long-term growth rate:	1.8%
Discount rate:	19.5%

15 STOCKS

At 31 December 2018 and 2017, all stocks were stated at the lower of cost and net realisable value.

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 HK$'000	2017 HK$'000
Non-current		
Prepayments related to capital expenditure	**83,982**	93,429
Current		
Trade receivables from:		
Associates (Note 39(c))	**1,703**	4,322
Third parties (note (a))	**1,895,348**	1,587,909
	1,897,051	1,592,231
Less: provision for impairment loss on receivables from:		
Associates	**(1,458)**	(1,455)
Third parties	**(183,363)**	(171,613)
Other receivables, prepayments and deposits	**571,587**	482,818
Contract acquisition and fulfilment costs (note (b))	**13,633**	–
	2,297,450	1,901,981
	2,381,432	1,995,410

Notes:

(a) 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.

(b) As a result of initial application of HKFRS 15, contract acquisition and fulfilment costs as at 31 December 2018 are separately presented (see Note 2.1(a)(iv)).

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

At 31 December 2018, the ageing of trade receivables based on invoice date including trading balances due from associates was as follows:

	2018 **HK$'000**	2017 HK$'000
Current	**505,936**	542,528
1-2 months	**368,750**	237,924
2-3 months	**199,636**	154,833
3-4 months	**150,217**	151,347
4-5 months	**115,525**	124,564
Over 5 months	**556,987**	381,035
	1,897,051	1,592,231

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

	2018 **%**	2017 %
Hong Kong dollars	**73**	72
Renminbi	**20**	17
US dollars	**3**	7
Malaysian Ringgit	**2**	3
Other currencies	**2**	1
	100	100

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

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

	2018 HK$'000	2017 HK$'000
At 1 January	**173,068**	182,354
Restated through opening retained earnings under HKFRS 9	**12,397**	–
Provision for impairment loss – third parties	**27,458**	32,975
Reversal of provision for impairment loss – third parties	**(1,038)**	(35,487)
Receivables written off as uncollectible	**(24,336)**	(12,907)
Exchange differences	**(2,728)**	6,133
At 31 December	**184,821**	173,068

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates. As at 31 December 2018, the gross carrying amount of the trade receivables and the loss allowance provision analysed by ageing band are set out below.

	Gross carrying amount HK$'000	Loss allowance provision HK$'000	Expected loss rate %
Up to 5 months	1,340,064	31,419	2%
Over 5 months to 1 year	348,611	25,271	7%
Over 1 year	208,376	128,131	61%
	1,897,051	184,821	

The carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

	2018	2017
	HK$'000	HK$'000
Restricted cash	**1,406**	4,306,886
Unrestricted cash		
Bank deposits maturing after three months	**56,928**	61,227
Cash and cash equivalents	**1,211,892**	831,301
	1,268,820	892,528
	1,270,226	5,199,414
Analysis of cash and cash equivalents		
Short-term bank deposits	**658,209**	453,298
Cash at bank and on hand	**553,683**	378,003
	1,211,892	831,301

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. During the year, such amount was released from restricted cash after the Company's announcement dated 23 January 2018 on the decision not to proceed with the share buy-back offer.

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:

	2018	2017
	HK$'000	HK$'000
Hong Kong dollars	**218,097**	1,743,459
US dollars	**500,925**	2,926,437
Renminbi	**306,950**	354,034
New Taiwan dollars	**205,586**	158,838
Other currencies	**38,668**	16,646
	1,270,226	5,199,414

18 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2017 and 31 December 2017 and 1 January 2018 and 31 December 2018	**438,000**	**664,044**

19 OTHER RESERVES

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Share-based payment reserve HK$'000	Financial assets at FVOCI reserve HK$'000	Translation reserve HK$'000	Total HK$'000
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 38)	–	(3,741)	–	–	–	–	(3,741)
Balance at 31 December 2017	70,000	(3,741)	104,011	–	–	(21,993)	148,277
Balance at 1 January 2018	70,000	(3,741)	104,011	–	–	(21,993)	148,277
Transferred from retained earnings	–	–	8,182	–	–	–	8,182
Currency translation differences:							
– Group	–	–	–	–	–	(17,649)	(17,649)
– Joint ventures	–	–	–	–	–	848	848
Share of other comprehensive loss of an associate	–	–	–	–	–	(8,166)	(8,166)
Reclassification adjustments of exchange to profit or loss on liquidation of a subsidiary	–	–	–	–	–	(671)	(671)
Share-based payments	–	–	–	24,125	–	–	24,125
Change in ownership interests in subsidiaries without change of control (Note 38)	–	(16,958)	–	–	–	(5,086)	(22,044)
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(7,661)	–	(7,661)
Balance at 31 December 2018	**70,000**	**(20,699)**	**112,193**	**24,125**	**(7,661)**	**(52,717)**	**125,241**

19 OTHER RESERVES (continued)

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 comprises the excess of consideration paid to non-controlling interests for acquisition of additional interest in subsidiaries as set out in Note 38; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

Legal reserve – in accordance with the local laws in Taiwan, Taiwan subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 100% of those subsidiaries' share capital; in accordance with the local laws in the PRC, the PRC subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 50% of those subsidiaries' registered capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital/registered capital.

Translation reserve - the translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4.

Share-based payment reserve – the reserve is used to recognise the grant date fair value of options issued to grantees of share options but not yet exercised.

Financial assets at FVOCI reserve – the Group has elected to recognise changes in the fair value of investments in equity securities in OCI, as explained in Note 12. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

20 TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Trade payables to:		
Associates (Note 39(c))	**9,087**	–
Third parties	**103,215**	134,264
	112,302	134,264
Contract liabilities (note (a))	**158,663**	–
Receipts in advance, deferred income and customers' deposits	**–**	283,029
Provision for employee benefits and other expenses	**143,633**	155,825
Accruals and other payables	**325,483**	298,549
	740,081	871,667

Note:

(a) As a result of initial application of HKFRS 15, contract liabilities as at 31 December 2018 are separately presented (see Note 2.1(a)(iv)). On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$249,843,000 was recognised as revenue in 2018 that was included in the contract liabilities balance as at 1 January 2018.

(b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at 31 December 2018. The Group does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage.

	2018 HK$'000
Within 1 year	**314,260**
More than 1 year	**611,077**
	925,337

20 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

At 31 December 2018, the ageing of trade payables based on invoice date including trading balances due to associates was as follows:

	2018 HK$'000	2017 HK$'000
Current	**81,501**	78,050
1-2 months	**22,847**	26,978
2-3 months	**4,039**	8,805
3-4 months	**965**	3,443
4-5 months	**85**	921
Over 5 months	**2,865**	16,067
	112,302	134,264

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

	2018 %	2017 %
Hong Kong dollars	**53**	60
US dollars	**42**	34
Renminbi	**5**	5
Other currencies	**–**	1
	100	100

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

21 BORROWINGS

	2018 HK$'000	2017 HK$'000
Non-current		
Notes, unsecured (note)	**3,016,923**	3,814,406
Current		
Bank overdraft	**27,382**	–
	3,044,305	3,814,406

At 31 December 2018, borrowings were repayable as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	**27,382**	–
Between 2 and 5 years	**3,016,923**	3,814,406
	3,044,305	3,814,406

Note:

On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("Notes"). As at 31 December 2018, the Company purchased US$112,210,000 (2017: US$8,500,000) nominal amount of the Notes issued by TVB Finance Limited.

22 DEFERRED INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Net deferred income tax assets recognised on the statement of financial position	(16,060)	(26,488)
Net deferred income tax liabilities recognised on the statement of financial position	141,560	157,248
	125,500	130,760

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

	2018 HK$'000	2017 HK$'000
At 1 January	130,760	310,186
Exchange differences	179	(765)
Recognised in the income statement (Note 30)	(5,439)	(178,661)
At 31 December	125,500	130,760

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 2018, the Group has unrecognised tax losses of HK$2,747,733,000 (2017: HK$2,657,781,000) to be carried forward against future taxable income. These tax losses will expire as follows:

	2018 HK$'000	2017 HK$'000
After the fifth year	8,727	1,419
No expiry date	2,739,006	2,656,362
At 31 December	2,747,733	2,657,781

22 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 2017	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
Recognised in the income statement	835	2,368	3,203
Exchange differences	26	(53)	(27)
At 31 December 2018	**171,849**	**41,379**	**213,228**

Deferred income tax assets

	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	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
Recognised in the income statement	9,919	(1,277)	8,642
Exchange differences	(14)	(192)	(206)
At 31 December 2018	**72,174**	**15,554**	**87,728**

23 RETIREMENT BENEFIT OBLIGATIONS

No forfeited contribution was utilised during the years 2017 and 2018.

Contributions totalling HK$6,840,000 (2017: HK$7,458,000) were payable to the fund at the year end and are included in other payables and accruals.

24 (LOSS)/PROFIT BEFORE INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Net exchange losses/(gains)	**24,513**	(19,138)
Gross rental income from investment properties	**(4,465)**	(6,121)
Direct operating expenses arising from investment properties	**699**	882
Loss on disposals of property, plant and equipment	**1,227**	792
Auditors' remuneration		
– Audit services	**5,748**	5,311
– Non-audit services	**2,701**	2,891
Cost of programmes and film rights	**1,810,229**	1,748,388
Cost of movies	**9,812**	7,408
Cost of other stocks	**27,700**	33,410
Depreciation (Notes 6 and 7)	**406,332**	379,818
Amortisation of land use rights (Note 8)	**3,087**	3,029
Amortisation of intangible assets (Note 9)	**11,347**	5,126
Operating leases		
– Equipment and transponders	**31,857**	36,822
– Land and buildings	**49,127**	38,945
Employee benefit expense (excluding directors' emoluments) (Note 26(a))	**1,695,466**	1,657,447

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of all Directors and the chief executive for the years ended 31 December 2018 and 2017 are set out below:

	2018					
Name of Director	**Fees HK$'000**	**Salaries, leave pay and other benefit (note (iii)) HK$'000**	**Discretionary bonuses (note (iv)) HK$'000**	**Pension contributions HK$'000**	**Share-based payment (note (v)) HK$'000**	**Total HK$'000**
Charles Chan Kwok Keung	**810**	**–**	**–**	**–**	**–**	**810**
Li Ruigang	**540**	**–**	**–**	**–**	**–**	**540**
Mark Lee Po On (note (i))	**260**	**6,773**	**2,700**	**659**	**2,812**	**13,204**
Cheong Shin Keong	**260**	**4,984**	**1,606**	**498**	**1,407**	**8,755**
Thomas Hui To	**293**	**–**	**–**	**–**	**2,812**	**3,105**
Anthony Lee Hsien Pin	**465**	**–**	**–**	**–**	**–**	**465**
Chen Wen Chi	**410**	**–**	**–**	**–**	**–**	**410**
Raymond Or Ching Fai	**625**	**–**	**–**	**–**	**–**	**625**
William Lo Wing Yan	**616**	**–**	**–**	**–**	**–**	**616**
Caroline Wang Chia-Ling	**445**	**–**	**–**	**–**	**–**	**445**
Allan Zeman	**315**	**–**	**–**	**–**	**–**	**315**
	5,039	**11,757**	**4,306**	**1,157**	**7,031**	**29,290**

	2017					
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit HK$'000	Discretionary bonuses HK$'000	Pension contributions HK$'000	Share-based payment 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

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) 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.

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

(v) As announced on 22 March 2018, the exercise price of share option is HK$25.84 per share.

25 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.

26 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

	2018 HK$'000	2017 HK$'000
Wages and salaries	**1,590,212**	1,568,067
Share-based payment	**16,382**	–
Pension costs – defined contribution plans	**88,872**	89,380
	1,695,466	1,657,447

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) Directors whose emoluments are reflected in the analysis presented in Note 25(a) above. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and leave pay	**12,051**	12,605
Bonuses	**2,460**	2,460
Pension contributions	**476**	471
Share-based payment	**4,274**	–
	19,261	15,536

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

Emolument bands	Number of individuals in each band 2018	2017
HK$4,500,001 - HK$5,000,000	–	2
HK$6,000,001 - HK$6,500,000	**2**	1
HK$7,000,001 - HK$7,500,000	**1**	–
	3	3

26 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	
	2018	2017
HK$2,500,001 – HK$3,000,000	–	1
HK$3,000,001 – HK$3,500,000	1	1
HK$4,500,001 – HK$5,000,000	–	1
HK$5,000,001 – HK$5,500,000	1	–
HK$6,000,001 – HK$6,500,000	1	–
HK$7,000,001 – HK$7,500,000	–	1
HK$8,000,001 – HK$8,500,000	1	–
HK$9,500,001 – HK$10,000,000	–	1
HK$12,500,001 – HK$13,000,000	1	–
	5	5

* the above emoluments included two (2017: two) Directors of the Company

27 EMPLOYEE SHARE-BASED PAYMENTS

The establishment of the Share Option Scheme of the Company and Subsidiary Share Option Scheme of its subsidiary, Big Big Channel Holdings were approved by shareholders at the 2017 annual general meeting. The share option schemes are designed to provide long-term incentives for scheme participants (including a director, an employee of the Company/Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or supplier providing service or goods to the Company/Big Big Channel Holdings or its affiliate; a customer or joint venture partner of the Company/Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of the Company/Big Big Channel Holdings or its affiliate, any other class of participants which the board of the Company/Big Big Channel Holdings or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of the Company/Big Big Channel Holdings) to deliver long-term shareholder returns. Under the share option schemes, unless otherwise determined by the board of the Company/Big Big Channel Holdings at its sole discretion, there is no minimum period for which an option must be held and there is no performance target which must be satisfied or achieved before such an option can be exercised under the terms of the share option schemes.

The share option schemes shall commence on the Adoption Date (i.e. 29 June 2017) and shall continue in force until the date that falls on the expiry of 10 years after the Adoption Date or the date on which the shareholders or the board of the Company/Big Big Channel Holdings passing a resolution resolving to early terminate the Scheme, whichever is earlier.

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme since the Adoption Date and during the year.

27 EMPLOYEE SHARE-BASED PAYMENTS (continued)

As at 31 December 2018, the following share options were offered to grantees of the Company under the Share Option Scheme:

Date of grant	Number of share options	Exercise price (HK$)
22 March 2018	17,000,000	25.84

The validity period of the options is 5 years, from the 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive). The vesting period of the share options is as follows:

(i) 20% of the Options shall be vested on 1 December 2018 and exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);

(ii) 20% of the Options shall be vested on 1 December 2019 and exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);

(iii) 20% of the Options shall be vested on 1 December 2020 and exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);

(iv) 20% of the Options shall be vested on 1 December 2021 and exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and

(v) 20% of the Options shall be vested on 1 December 2022 and exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

Set out below are summaries of options granted under the Share Option Scheme:

	2018		2017	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**N/A**	**–**	N/A	–
Granted during the year	**HK$25.84**	**17,000,000**	N/A	–
As at 31 December	**HK$25.84**	**17,000,000**	N/A	–
Vested and exercisable at 31 December	**HK$25.84**	**3,400,000**	N/A	–

27 EMPLOYEE SHARE-BASED PAYMENTS (continued)

Share options outstanding at 31 December 2018 have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	2018	2017
22 March 2018	22 March 2023	HK$25.84	**17,000,000**	–
Weighted average remaining contractual life of options outstanding at end of year			**4.22 years**	N/A

During the year, the equity-settled share-based payments relating to the Share Option Scheme recognised as an expense amounted to HK$24,125,000 (2017: Nil).

(a) Fair value of share options granted

The fair value of share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted respectively. The following table lists the inputs to the model used:

Exercise price:	HK$25.84
Grant date:	22 March 2018
Expiry date:	22 March 2023
Share price at grant date:	HK$25.60
Expected price volatility of the Company's shares:	26.235%
Expected dividend yield:	5.386%
Risk-free interest rate:	1.841%

28 OTHER (LOSSES)/GAINS, NET

	2018 HK$'000	2017 HK$'000
Net exchange (losses)/gains	**(24,513)**	19,138
Losses on movie and drama investments	**(27,647)**	–
Gain on purchase of Notes	**6,903**	–
	(45,257)	19,138

29 FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank loans and overdraft	**989**	5,151
Interest on Notes (Note 21)	**120,280**	140,002
Amortised amount of transaction costs on Notes	**7,226**	7,226
	128,495	152,379

30 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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:

	2018 HK$'000	2017 HK$'000
Current income tax:		
– Hong Kong	**28,531**	44,787
– Overseas	**29,299**	229,812
– Under/(over) provisions in prior years	**557**	(1,573)
Total current income tax charge	**58,387**	273,026
Deferred income tax:		
– Origination and reversal of temporary differences	**12,928**	(182,203)
– Resulting from decrease in tax rate	**(67)**	3,542
– Over provisions in prior years	**(18,300)**	–
Total deferred income tax credit (Note 22)	**(5,439)**	(178,661)
	52,948	94,365

The income tax on the Group's (loss)/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:

	2018 HK$'000	2017 HK$'000
(Loss)/profit before income tax	**(124,040)**	357,915
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**(20,467)**	59,056
Effect of different taxation rates in other countries	**(5,121)**	694
Tax effect on the share of results of associates and joint ventures	**14,372**	2,614
Income not subject to taxation	**(45,067)**	(54,109)
Expenses not deductible for taxation purposes	**118,589**	63,329
Tax losses not recognised	**15,769**	17,941
Utilisation of previously unrecognised tax losses	**(3,487)**	(276)
Tax credit allowance	**(16,642)**	(14,347)
Withholding tax on overseas dividend	**10,933**	3,099
Others	**1,879**	14,395
Over provisions in prior years	**(17,743)**	(1,573)
Deferred tax resulting from decrease in overseas tax rates	**(67)**	3,542
	52,948	94,365

31 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 2017. The remaining held for sale properties with carrying value of HK$42,555,000 as at 31 December 2017 have been disposed with a gain of HK$27,058,000 recognised during the year.

32 (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$199,080,000 (2017: profit of HK$243,621,000) and 438,000,000 shares in issue throughout the years ended 31 December 2018 and 2017.

During the year ended 31 December 2018, no fully diluted loss per share was presented as the assumed exercise of the share options would result in a decrease in loss per share.

During the year ended 31 December 2017, no fully diluted earnings per share was presented as there were no potentially dilutive shares outstanding.

33 DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
2017 first interim dividend paid of HK$0.60 per ordinary share	–	262,800
Interim dividend paid of HK$0.30 (2017: second interim dividend of HK$0.30) per ordinary share	**131,400**	131,400
Proposed final dividend of HK$0.70 (2017: HK$0.30) per ordinary share	**306,600**	131,400
2017 special dividend paid of HK$0.70 per ordinary share	–	306,600
	438,000	832,200

At a meeting held on 20 March 2019, the Directors recommended a final dividend of HK$0.70 per ordinary share. The proposed dividends for 2018 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 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of (loss)/profit before income tax to cash generated from operations:

	2018 HK$'000	2017 HK$'000
(Loss)/profit before income tax	**(124,040)**	357,915
Adjustments for:		
Depreciation and amortisation	**420,766**	387,973
Provision for impairment loss on trade receivables	**27,458**	32,975
Reversal of provision for impairment loss on trade receivables	**(1,038)**	(35,487)
Fair value loss on financial assets at fair value through profit or loss	**320,000**	–
Impairment loss on bond securities at amortised cost	**206,125**	–
Non-cash share-based payments	**24,125**	–
Share of losses of joint ventures	**113,968**	31,517
Share of (profits)/losses of associates	**(809)**	1,589
Gain on purchase of Notes	**(6,903)**	(239)
Gain on disposal of investment properties	**(27,058)**	(18,483)
Loss on disposal of property, plant and equipment	**1,227**	792
Interest income	**(255,179)**	(117,910)
Finance costs	**128,495**	152,379
Exchange differences	**(2,904)**	(61,984)
	824,233	731,037
Increase in programmes, film rights and stocks	**(95,532)**	(150,811)
Increase in trade and other receivables, prepayments and deposits	**(404,251)**	(227,123)
Decrease in trade and other payables and accruals	**(125,113)**	(48,735)
Cash generated from operations	**199,337**	304,368

(b) Net debt reconciliation

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	**1,184,510**	831,301
Borrowings – repayable after one year	**(3,016,923)**	(3,814,406)
Net debt	**(1,832,413)**	(2,983,105)

34 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 2017	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 movements	–	(6,987)	(6,987)
Net debt as at 31 December 2017	831,301	(3,814,406)	(2,983,105)
Cash flows	366,275	805,823	1,172,098
Foreign exchange adjustments	(13,066)	(8,017)	(21,083)
Other non-cash movement	–	(323)	(323)
Net debt as at 31 December 2018	**1,184,510**	**(3,016,923)**	**(1,832,413)**

35 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	2018 HK$'000	2017 HK$'000
Guarantees for banking facilities granted to an investee company	**7,470**	8,086

The Directors have assessed the fair value of the above and consider that they are not material to the Group. Therefore, no financial liability has been recognised in the statement of financial position.

36 COMMITMENTS

(a) Capital commitments

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

	2018 HK$'000	2017 HK$'000
Contracted for but not provided for	**170,540**	227,277

36 COMMITMENTS (continued)

(b) Contractual programme rights and programme contents commitments

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

	2018 HK$'000	2017 HK$'000
Programme rights and programme contents commitments	**190,904**	246,354

(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:

	2018 HK$'000	2017 HK$'000
Land and buildings		
– not later than one year	**31,633**	34,643
– later than one year and not later than five years	**52,286**	12,161
	83,919	46,804
Equipment and transponders		
– not later than one year	**12,423**	45,060
– later than one year and not later than five years	**7,895**	11,876
	20,318	56,936
	104,237	103,740

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 24.

36 COMMITMENTS (continued)

(d) Operating lease commitments as lessor

At 31 December 2018, the Group had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Land and buildings		
– not later than one year	1,911	3,029
– later than one year and not later than five years	130	1,843
	2,041	4,872

37 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme service licence granted by the Government of the HKSAR ("Government") which runs for a period of twelve years to 30 November 2027. Under the renewed licence conditions, the Company is required to (i) make a programming and capital investment of HK$6,336 million in total for the six-year period from 2016 to 2021; (ii) provide at least 12,000 hours of local productions each year; (iii) provide an additional four hours per week of positive programmes (including current affairs programmes, documentaries, arts and culture programmes and programmes for young persons) on the Company's digital channels; (iv) provide independent local productions on an incremental basis from 20 hours per year in 2016 to 60 hours per year by 2020. In addition, the Company is granted more flexibility to schedule the broadcast of RTHK programmes and an additional 5% non-designated language allowance for the English channel. In accordance with the standard procedure, the renewed licence of the Company will be subject to a mid-term review in 2021.

38 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 9 November 2018, the Group acquired an additional 15% of the equity interest of 上海翡翠东方传播有限公司 and its subsidiaries ("TVBC Group") for a purchase consideration of RMB63,750,000. The consideration was contingent to subsequent settlement of certain impaired trade debtors balance within five years after the date of acquisition. The carrying amount of the non-controlling interests in TVBC Group on the date of acquisition was HK$49,944,000. The Group recognised a decrease in equity attributable to owners of the Company of HK$16,958,000.

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.

38 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES (continued)

The effect of changes in the ownership interest of TVBC Group and TVBPH Group on the equity attributable to owners of the Company during the years ended 31 December 2018 and 2017 respectively are summarised as follows:

	2018 **HK$'000**	2017 HK$'000
Carrying amount of non-controlling interests acquired	**49,944**	35,165
Exchange reserve	**5,086**	–
Consideration paid to non-controlling interests	**(71,988)**	(38,906)
Excess of consideration paid recognised within equity	**(16,958)**	(3,741)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The following is a summary of significant related party transactions during the year carried out by the Group in the normal course of its business:

	Note	**2018** **HK$'000**	2017 HK$'000
Sales of services/goods:			
Associates			
Sales of move script	(i)	–	1,900
Computer graphic service fees	(i)	–	2,581
Talent fees	(i)	–	1,164
Drama promotion service fee	(i)	**6,000**	–
Talent fees	(ii)	**2,554**	–
Other related party			
*Programmes and channel licensing fees	(iii)	–	66,548#
*Advertising consultancy fees	(iii)	–	9,200#
		8,554	81,393
Purchases of services:			
Associates			
Drama licensing fee	(iv)	**(8,312)**	–
Service fees	(ii)	–	(1,050)
		(8,312)	(1,050)

* These are regarded as connected transactions or continuing connected transactions as defined under Main Board Listing Rules.

The transaction is not subject to the reporting, announcement and independent shareholders' approval requirement due to the application of the insignificant subsidiary exemption. The transaction is a connected transaction only because it involves a person who is a connected person by virtue of its relationship with the Company's insignificant subsidiary.

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from 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.

(ii) The fees were received from/(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.

(iii) The fees were received from MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), a fellow subsidiary of the non-controlling shareholder of TVBPH Group. Following the acquisition of the remaining equity interests in TVBPH Group as detailed in Note 38, MEASAT ceased to be a related party with effect from 22 May 2017.

(iv) The fee was paid to Shaw Brothers Holdings Limited, an associate of Shine Investment Limited, which is an associate of the Group.

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

During the year, a movie investment of HK$2,000,000 was paid to Shaw Brothers Pictures International.

In 2017, 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.

The fees received from/(paid to) related parties are based upon mutually agreed terms and conditions.

(b) Key management compensation

	2018 **HK$'000**	2017 HK$'000
Salaries and other short-term employee benefits	**28,072**	27,972
Share-based payments	**7,780**	–
	35,852	27,972

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

	2018 HK$'000	2017 HK$'000
Receivables from associates (note)	**1,703**	4,322
Payables to associates	**(9,087)**	–

Note:

As at 31 December 2018, a provision for impairment loss of amounts due from associates of HK$1,458,000 (2017: HK$1,455,000) had been provided (Note 16).

(d) Fund advanced/loan to joint ventures

	2018 HK$'000	2017 HK$'000
Fund advanced to joint ventures		
Beginning of the year	**42,431**	49,340
Repayment of fund advanced	**(12,159)**	(7,700)
Exchange differences	**(517)**	791
End of the year	**29,755**	42,431
Loan to joint ventures (including interest receivables)		
Beginning of the year	**548,151**	–
Loan provided	–	520,383
Interest charged	**65,967**	26,993
Exchange differences	**1,009**	775
End of the year	**615,127**	548,151

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. These reclassifications have no impact on the Group's total equity as at 31 December 2018 and 2017, or on the Group's (loss)/profit for the years ended 31 December 2018 and 2017.

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,379,309**	1,430,425
Land use rights	**16,163**	16,577
Intangible assets	**61,299**	64,032
Interests in subsidiaries	**1,616,946**	1,540,251
Interests in joint ventures	**6,781**	18,331
Interests in associates	**174,000**	174,000
Financial assets at fair value through profit or loss	**330,015**	–
Financial assets at amortised cost	**3,114,043**	–
Held-to-maturity financial assets	–	778,058
Prepayments	**78,452**	77,109
Total non-current assets	**6,777,008**	4,098,783
Current assets		
Programmes and film rights	**925,141**	827,202
Stocks	**18,606**	4,470
Trade and other receivables, prepayments and deposits	**1,837,733**	1,413,429
Financial assets at amortised cost	**15,652**	–
Restricted cash	–	4,305,208
Cash and cash equivalents	**264,634**	59,161
Held-to-maturity financial assets	–	62,737
Total current assets	**3,061,766**	6,672,207
Total assets	**9,838,774**	10,770,990

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

Statement of financial position of the Company (continued)

	2018 HK$'000	2017 HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**664,044**	664,044
Other reserves	**94,125**	70,000
Retained earnings	**4,482,024**	4,784,971
Total equity	**5,240,193**	5,519,015
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**98,101**	116,600
Loan due to a subsidiary	**3,895,695**	3,880,844
Total non-current liabilities	**3,993,796**	3,997,444
Current liabilities		
Trade and other payables and accruals	**577,403**	1,253,216
Current income tax liabilities	**–**	1,315
Borrowings	**27,382**	–
Total current liabilities	**604,785**	1,254,531
Total liabilities	**4,598,581**	5,251,975
Total equity and liabilities	**9,838,774**	10,770,990

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2019 and was signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

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

Reserve movement of the Company

	General reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
At 1 January 2017 and 31 December 2017	70,000	–	70,000
Share-based payment	–	24,125	24,125
At 31 December 2018	**70,000**	**24,125**	**94,125**

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 20 March 2019.

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	Investment holding and programme licensing
TVB New Wings Limited	100	HK$100	100	100	Production of programmes and provision of marketing materials
Art Limited	10,000	HK$10,000	100	–	Film licensing and distribution

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
Big Big Channel Holdings Limited	Ordinary shares: 2	HK$2	100	–	Investment holding
	Non-voting preferred shares: 1,085,867,757	HK$1,085,867,757	100	–	
Big Big Channel Limited	2	HK$2	100	–	Big Big Channel business
MyTV Super Limited	2	HK$2	100	–	Hong Kong digital new media business
The Voice Entertainment Group Limited	1	HK$1	100	–	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	100	–	Publishing and licensing of musical works
TVB Anywhere Limited	10,000	HK$10,000	100	–	Provision of subscription television programmes in overseas markets
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 Anywhere SEA Limited (formerly known as TVB Satellite TV (HK) Limited)	2	HK$2	100	–	Provision of subscription television programmes in overseas markets

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	70	70	Provision of agency services on advertisements, television programmes, film rights and management services
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
Big Big Channel Media Limited	Taiwan	10,000,000	NT$100,000,000	100	–	Investment holding and provision of subscription television programmes
Liann Yee Asset Co., Ltd.	Taiwan	3,000,000	NT$30,000,000	100	–	Property investment
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

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	to the Company	Principal activities
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	70	–	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
TVB (Singapore) Pte. Ltd.	Singapore	1	S$1	100	–	Provision of agency services for advertisements and consultancy services

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 2018.

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

(e) All principal subsidiaries are limited liability companies.