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 41.

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 23 March 2016.

KEY EVENTS

On 6 May 2015, the Group completed the disposal of its 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,695,000,000 (approximately HK$1,182,144,000). A disposal gain of HK$1,395,770,000, which was made up of a gain on disposal of the 53% equity interest of HK$851,621,000 and a gain on the retained equity interest of 47% of HK$544,149,000, was recognised during the year. Details of this disposal were set out in Note 30 to the consolidated financial statements.

Subsequent to the year-end date on 4 January 2016, the Group, entered into a conditional Disposal Agreement, pursuant to which the Group agreed to conditionally sell the remaining 47% equity interest in Liann Yee Group, for a cash consideration of NT$4,343,490,566 (representing approximately HK$1,017,450,000) ("Second Disposal"). Upon completion of the Second Disposal in 2016, the Group will cease to hold any equity interest in Liann Yee Group.

From 6 May 2015, Liann Yee Group has ceased to be a subsidiary and has become a joint venture of the Group. The Group has adopted equity accounting in respect of the retained 47% interest in Liann Yee Group thereafter. With respect to the completion of the sale of the 53% equity interest and the plan for the subsequent sale of the remaining 47% interest, Liann Yee Group's profit for the year was presented as discontinued operations in the consolidated financial statements for the year ended 31 December 2015 and last year's comparatives were restated accordingly.

By the adoption of equity accounting from 6 May 2015, Liann Yee Group's assets and liabilities had not been included in the Group's consolidated statement of financial position as at 31 December 2015. Accordingly, the carrying value of the retained 47% equity interest in Liann Yee Group and the shareholder loan granted to Liann Yee Group were shown as "Non-current asset held for sale" and "Loan and receivables" respectively in the consolidated financial statements.

After the above disposals, the Group continues to hold certain properties in Neihu and on Bade Road, Taipei. The Group leased back certain portion of the properties to Liann Yee Group on normal commercial terms. Accordingly, these properties were included as "Investment properties" in the Group's consolidated statement of financial position.

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 ("HKFRS"). They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Note 2.11.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement" and HKAS 40, "Investment property".

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirement of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

The following relevant new/revised standards have been published and are mandatory for the first time for the Group's accounting period beginning on or after 1 January 2016 or later periods, but the Group has not early adopted them:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendment to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Annual improvements to HKFRS	2012-2014 Cycle

The Group is in the process of making an assessment of the impact of these relevant standards and amendments to the Group's results and financial position in the period of initial application.

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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests proportionate share of the acquiree's net assets.

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 aggregate fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If the consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All significant inter-company transactions and balances within the Group are eliminated on consolidation. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. 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.

(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.

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

2.2 Consolidation (continued)

(c) Associates (continued)

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

In the Company's statement of financial position, the interests in associates are stated at cost less provision for impairment losses (Note 2.9). The results of the associates are accounted for by the Company on the basis of dividends received and receivable.

(d) Disposal of subsidiaries and associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(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 interest in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

The Group reports its operating segments based on the internal reports reviewed by the chief operating decision maker for the purposes of allocating resources to the segment 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 borrowing, 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 on or after 1 January 2005 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 operations, a disposal involving loss of joint control over a joint venture that includes a foreign operations, 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 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 and fixtures 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, as follows:

Leasehold land classified as finance leases	Shorter of remaining lease term or useful life
Buildings	2.5% – 5%
Leasehold improvements	Over the unexpired term of the lease
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Investment properties

Investment properties are defined as properties held to earn rentals or 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. 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 or an associate over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate 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 is included in interests in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not 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.

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 to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) 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 operations, or is a subsidiary acquired exclusively with a view to resale.

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

2.11 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.15), "funds advanced/loan to joint ventures", "loan to an associate", "bank deposits" and "cash and cash equivalents" (Note 2.16) in the statement of financial position.

(b) 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 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

(a) Loans and receivables

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.

A provision for impairment of the Group's trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

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

2.12 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Programmes, film rights and movies

Programmes, film rights and movies are stated at cost less amounts expensed and any provision considered necessary by management.

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads. The cost of programmes is apportioned between the domestic terrestrial market and the overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees. The cost of programmes for satellite channels is expensed in accordance with a formula computed to amortise the cost over a maximum of three transmissions.

(b) Film rights

Film rights are expensed in accordance with a formula computed to amortise the cost over the contracted number of transmissions.

(c) Movies

The cost of movie stocks includes all direct production costs which comprise cost of services, facilities and raw materials consumed in the creation of a film. Movie stocks are stated at cost less accumulated amortisation and accumulated impairment losses.

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

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

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

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. Taxation 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.

2.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

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

2.21 Employee benefits (continued)

(b) Pension obligations

The Group operates a number of defined benefit and 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.

Employees located in Taiwan were members of a defined benefit retirement scheme prior to 1 July 2005. Following the promulgation of a new pension ordinance on 1 July 2005, the employees located in Taiwan were entitled to elect to remain as the sole members of the defined benefit retirement scheme or to become members of both the defined benefit retirement scheme and a defined contribution retirement scheme. By electing for the latter, the service lives of employees under the defined benefit retirement scheme were frozen at 30 June 2005. All employees joining on or after 1 July 2005 have to join the defined contribution retirement scheme.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately as expenses in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(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)

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2.23 Financial guarantees

Financial guarantees are initially recognised in the accounts at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise the fee income earned in the consolidated income statement on a straight-line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the period-end date. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

2.24 Revenue recognition

Advertising income net of agency deductions is recognised (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a magazine; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms.

Income from licensing of programme rights is recognised evenly over the contract period or upon delivery of the programmes concerned in accordance with the terms of the contracts. Income from licensing of content to mobile devices and website portals is recognised when the services are rendered and when the right to receive payment is established. Distribution income from video sell through is recognised upon delivery of the video.

Subscription income from the operation of pay television networks is recognised on a straight-line basis over the contract period which generally coincides with when the services are rendered. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables and accruals in the statement of financial position.

Income from sales of decoders and sales of magazines is recognised on delivery of products. Income from other services, which includes programmes/commercial production income, management fee income, facility rental income and other service fee income, is recognised when the services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

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

2.25 Leases

(a) Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Operating leases (as lessor)

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs, if any, incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(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 payment.

2.26 Related parties

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

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

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

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

2.26 Related parties (continued)

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

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

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency risk.

The Group manages this risk by seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favourable. The Group currently does not have a foreign currency hedging policy but manages its exposure through closely monitoring the movement of the foreign currency rates and will consider entering into foreign exchange forward contracts to reduce the exposure if required. The Group does not conduct any speculative foreign currency activities.

The following table summarises the change in the Group's profit after taxation in response to reasonably possible changes in foreign exchange rates on currencies to which the Group has exposure at the end of the reporting period and assuming all other variables remain constant. Such exposure relates to the portion of loan, trade receivables, bank deposits, cash and bank balances and trade payables.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	2015		2014	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Increase/ (decrease) in profit after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**7%**	**37,797**	1%	9,694
	(7%)	**(37,797)**	(1%)	(9,694)
Malaysian Ringgit	**22%**	**8,053**	6%	1,895
	(22%)	**(8,053)**	(6%)	(1,895)
New Taiwan dollars	**4%**	**5,706**	5%	(3)
	(4%)	**(5,706)**	(5%)	3

(ii) Interest rate risk

The Group's principal interest bearing assets are a loan to a joint venture, 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.

The Group's interest rate risk also arises from floating interest rate bank borrowings.

Sensitivity analysis has been conducted on the loan to a joint venture, bank deposits and bank borrowings. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have increased/decreased by HK$1,127,000 (2014: nil) and HK$25,167,000 (2014: HK$26,659,000) in respect of the loan to a joint venture and bank deposits respectively and the Group's profit after taxation would have decreased/increased by HK$1,949,000 (2014: HK$3,250,000) in respect of bank borrowings.

(b) Credit risk

The Group's credit risk is primarily attributable to its funds advanced/loan to a joint venture, credit sales, bank balances and bank deposits. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. The credit risk on credit sales is not material as major customers are reputable advertising agencies with no recent history of default. The credit risk on trade receivables is not considered significant given the majority of credit sales relate to reputable advertising agencies. In addition, the Group reviews the recoverable amount of each individual trade debtor, associate and joint venture at the end of each reporting period to ensure that impairment has adequately been provided for doubtful debts. The credit risk on bank balances is limited as the banks are of acceptable credit ratings.

3 FINANCIAL RISK MANAGEMENT (continued)

(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 bank 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. The bank loans are secured by land and buildings and are repayable as set out in Note 21.

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).

	2015		2014	
	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	**3,898**	**564,976**	103,632	668,316
Between 1 and 2 years	**14,568**	**–**	15,069	–
Between 2 and 5 years	**64,827**	**–**	187,698	–
Over 5 years	**184,580**	**–**	109,682	–
	267,873	**564,976**	416,081	668,316

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 ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Total capital is calculated as total equity, as shown in the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 HK$'000	2014 HK$'000
Total borrowings	**234,850**	391,600
Total equity	**7,836,173**	8,704,346
Gearing ratio	**3.0%**	4.5%

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 2015 and 2014, the fair value measurement of the Group's available-for-sale financial assets is included in level 3 (Note 12).

There was no transfer between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Trade receivables

The aged debt profile of trade receivables is reviewed on a regular basis to ensure that the trade receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables is called into doubt, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivables and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Loan to and amount due from associates

The Group reviews its loan to and amount due from associates to assess impairment at least half yearly. The impairment losses of loan to and amount due from associates are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

TVB Network Vision Limited ("TVB Network Vision"), an associate engaging in Hong Kong pay TV business, has been offering content from TVB and other providers from different regions with programme genre ranging from drama serials, variety programmes to sports. However, due to rampant Internet piracy activities exacerbated by technological advancement around the world, the content which TVB Network Vision has planned to bring to its viewers through conventional subscription service is widely available in the market, causing significant shortfall in its revenue targets. In addition, the operation of high cost pay TV business (provision of pay TV service using satellite transmission and third party platform cooperation) has increasingly become difficult.

In view of TVB Network Vision's continuous losses sustained and the unfavourable operating environment for traditional pay TV business, future cash inflow of TVB Network Vision will be significantly reduced. TVB Network Vision will not proceed to launch the over-the-top platform in 2016, as previously envisaged in their business plan as disclosed in our 2014 annual financial statements. As such, impairment losses of HK$501,594,000 (Note 11) and HK$193,505,000 (Note 15) against the loan to and amount due from TVB Network Vision, with a total impairment loss of HK$695,099,000, were made in the consolidated financial statements for the year ended 31 December 2015. After making this impairment loss, the total net interests in TVB Pay Vision Holdings Limited ("TVBPVH", the holding company of TVB Network Vision) as of 31 December 2015, which represented the total cost of investment, a long-term loan and amount due less the accumulated share of losses and impairment, had been fully impaired.

(c) 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.

(d) 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.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION

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

Revenue comprises advertising income net of agency deductions, licensing income, subscription income, as well as other income from sales of decoders, sales of magazines, programmes/commercial production income, management fee income, facility rental income and other service fee income.

Other revenues comprise mainly interest income.

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

	2015 **HK$'000**	2014 HK$'000 (Restated)
Revenue		
Advertising income, net of agency deductions	**3,062,946**	3,440,338
Licensing income	**906,919**	966,480
Subscription income	**125,565**	165,310
Others	**421,944**	404,186
	4,517,374	4,976,314
Less: withholding tax	**(62,649)**	(64,253)
	4,454,725	4,912,061
Other revenues		
Interest income	**54,512**	62,158
Others	**20,818**	13,093
	75,330	75,251
	4,530,055	4,987,312

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance. The Group determined to separately report "Hong Kong digital new media business" as a reportable operating segment due to the increasing importance of the business. As such, the comparative figures have been adjusted to conform with the reclassification.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group has six reportable segments as follows:

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes on terrestrial TV platform, broadcasting of commercials on terrestrial and pay TV platforms and production of programmes
(b)	Hong Kong digital new media business	–	provision of contents to mobile devices and website portals
(c)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media operators
(d)	Overseas pay TV operations	–	provision of pay television services to subscribers in USA, Europe and Australia
(e)	Channel operations	–	compilation and distribution of television channels in Mainland China, Malaysia, Singapore and other countries
(f)	Other activities	–	magazine publications, music entertainment, property investment and other related services

The segment information reported below does not include any amounts related to the operations of Liann Yee Group, which are described in Note 30.

The segments are managed separately according to the nature of products and services provided. Segment performance is evaluated based on operating results which in certain respects, as explained in the table below, is measured differently from the profit before income tax in the consolidated financial statements.

The Group's inter-segment transactions mainly consist of licensing of programmes and film rights and provision of services. Licensing of programmes and film rights were entered into at similar terms as that contracted with third parties. The services provided were charged on a cost plus basis or at similar terms as that contracted with third parties.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue and results for the year by operating segments is as follows:

	Hong Kong TV broadcasting HK$'000	Hong Kong digital new media business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations								
For the year ended 31 December 2015								
Revenue								
External customers	3,059,037	166,384	828,214	185,597	98,738	116,755	–	4,454,725
Inter-segment	46,219	3,728	122,849	284	5,809	12,422	(191,311)	–
Total	3,105,256	170,112	951,063	185,881	104,547	129,177	(191,311)	4,454,725
Reportable segment profit before non-recurring expenses	551,142	41,340	410,354	(30,661)	17,309	11,055	(1,000)	999,539
Exchange losses on Renminbi fixed term deposits	(42,136)	–	–	–	–	–	–	(42,136)
Impairment loss on property (Note 6(d))	(87,955)	–	–	–	–	–	–	(87,955)
Impairment loss on loan to and amount due from an associate (Note 11 and 15)	(695,099)	–	–	–	–	–	–	(695,099)
Reportable segment profit after non-recurring expenses	(274,048)	41,340	410,354	(30,661)	17,309	11,055	(1,000)	174,349
Interest income	42,509	634	9,286	209	–	1,874	–	54,512
Finance costs	–	–	–	–	–	(6,441)	–	(6,441)
Depreciation and amortisation	(235,673)	(15,234)	(6,561)	(4,503)	(509)	(18,794)	–	(281,274)
Additions to non-current assets*	264,610	42,081	9,736	778	4,626	1,441	–	323,272
For the year ended 31 December 2014 (restated)								
Revenue								
External customers	3,364,989	191,864	947,677	232,014	106,752	68,765	–	4,912,061
Inter-segment	55,426	3,720	137,204	11,207	18,290	6,162	(232,009)	–
Total	3,420,415	195,584	1,084,881	243,221	125,042	74,927	(232,009)	4,912,061
Reportable segment profit excluding gain/(loss) on liquidation of subsidiaries	947,066	66,223	617,645	(27,202)	32,412	(2,669)	–	1,633,475
Add/(less): gain/(loss) on liquidation of subsidiaries	–	–	993	(72,699)	–	–	–	(71,706)
Reportable segment profit including gain/(loss) on liquidation of subsidiaries	947,066	66,223	618,638	(99,901)	32,412	(2,669)	–	1,561,769
Interest income	53,635	1,083	4,884	108	–	2,448	–	62,158
Finance costs	(2,749)	–	–	–	–	(14)	–	(2,763)
Depreciation and amortisation	(232,054)	(11,230)	(4,789)	(6,533)	(201)	(5,101)	–	(259,908)
Additions to non-current assets*	272,364	17,834	17,983	4,688	113	8,114	–	321,096

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit is provided as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Reportable segment profit	**174,349**	1,561,769
Share of losses of joint ventures	**(15,143)**	(7,134)
Share of losses of associates	**(32,766)**	(72,382)
Profit before income tax and discontinued operations	**126,440**	1,482,253

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2015 and 2014.

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

	2015 HK$'000	2014 HK$'000 (Restated)
Hong Kong	**3,324,864**	3,625,004
Malaysia and Singapore	**548,504**	555,188
Mainland China	**270,993**	383,283
USA and Canada	**144,885**	168,015
Australia	**62,425**	89,972
Vietnam	**47,825**	29,666
Europe	**9,200**	30,173
Other countries	**46,029**	30,760
	4,454,725	4,912,061

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

	2015 HK$'000	2014 HK$'000
Hong Kong	**1,765,755**	2,342,919
Taiwan	**817,876**	1,397,342
Mainland China	**80,251**	108,346
USA and Canada	**18,616**	20,606
Australia	**3,086**	5,844
Other countries	**680**	919
	2,686,264	3,875,976

6 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 January 2014	41,408	2,492,401	34,831	2,704,344	826,917	51,350	6,151,251
Exchange differences	(592)	(70,511)	(421)	(30,387)	(2,668)	(751)	(105,330)
Additions	21,957	9,173	5,259	235,215	73,548	8,780	353,932
Disposals	–	(317)	(2,140)	(97,147)	(11,839)	(1,178)	(112,621)
Liquidation of subsidiaries (Note 33(b))	–	–	(1,702)	(4,079)	(5,182)	(537)	(11,500)
Transferred from investment properties (Note 7(b))	–	2,869	–	–	–	–	2,869
At 31 December 2014	62,773	2,433,615	35,827	2,807,946	880,776	57,664	6,278,601
At 1 January 2015	62,773	2,433,615	35,827	2,807,946	880,776	57,664	6,278,601
Exchange differences	340	23,566	(505)	11,113	(149)	199	34,564
Additions	21,394	3,568	1,743	141,597	112,285	9,004	289,591
Disposals	–	–	(195)	(118,500)	(13,831)	(3,530)	(136,056)
Disposal of subsidiaries (Note 30(d))	(14,204)	(411,611)	(2,077)	(535,264)	(35,610)	(13,661)	(1,012,427)
Transferred to investment properties (Note 7(a))	–	(840,977)	–	–	–	–	(840,977)
Transferred to disposal assets (Note 6(d))	(70,303)	(46,632)	–	–	–	–	(116,935)
At 31 December 2015	**–**	**1,161,529**	**34,793**	**2,306,892**	**943,471**	**49,676**	**4,496,361**
Accumulated depreciation and impairment							
At 1 January 2014	–	555,382	30,235	1,898,583	524,179	37,820	3,046,199
Exchange differences	–	(5,950)	(350)	(22,642)	(1,935)	(557)	(31,434)
Charge for the year	–	61,996	2,510	191,613	52,654	4,646	313,419
Written back on disposals	–	(298)	(1,786)	(94,466)	(11,299)	(1,168)	(109,017)
Liquidation of subsidiaries (Note 33(b))	–	–	(358)	(3,599)	(4,456)	(538)	(8,951)
Transferred from investment properties (Note 7(b))	–	220	–	–	–	–	220
At 31 December 2014	–	611,350	30,251	1,969,489	559,143	40,203	3,210,436
At 1 January 2015	–	611,350	30,251	1,969,489	559,143	40,203	3,210,436
Exchange differences	–	1,733	(384)	8,460	(247)	104	9,666
Charge for the year	–	48,683	2,681	170,157	56,822	5,355	283,698
Written back on disposals	–	–	(162)	(115,985)	(11,739)	(3,530)	(131,416)
Disposal of subsidiaries (Note 30(d))	–	(1,684)	(1,078)	(406,575)	(24,321)	(8,786)	(442,444)
Transferred to investment properties (Note 7(a))	–	(112,391)	–	–	–	–	(112,391)
Transferred to disposal assets (Note 6(d))	–	(8,552)	–	–	–	–	(8,552)
At 31 December 2015	**–**	**539,139**	**31,308**	**1,625,546**	**579,658**	**33,346**	**2,808,997**
Net book value							
At 31 December 2015	**–**	**622,390**	**3,485**	**681,346**	**363,813**	**16,330**	**1,687,364**
At 31 December 2014	62,773	1,822,265	5,576	838,457	321,633	17,461	3,068,165

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK$2,564,000 (2014: HK$15,046,000) as they were not ready in use at the year end.

(b) Last year, land and buildings with net book value of HK$720,072,000 were pledged to secure loans and banking facilities granted to a subsidiary of the Group.

(c) At 31 December 2015, the net book values of leasehold land held under finance leases were analysed as follows:

	2015 HK$'000	2014 HK$'000
Leases of between 10 to 50 years	**142,740**	183,507
Leases of over 50 years	**5,179**	5,344
	147,919	188,851

(d) Construction in progress as at 31 December 2015 comprised a building being constructed in Hong Kong. Due to the recent change in the strategic business development, the Group decided to cease the development of the construction of a facility nearby Tseung Kwan O Industrial Estate. Subsequent to the year end, the related sites have been surrendered to Hong Kong Science and Technology Parks Corporation on 5 February 2016. An impairment loss of HK$87,955,000 (representing net book value of the related sites less the refundable amount of HK$20,428,000) was provided at 31 December 2015.

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2014	15,320
Transferred to property, plant and equipment (note (b))	(2,869)
Exchange differences	(42)
At 31 December 2014	12,409
At 1 January 2015	12,409
Transferred from property, plant and equipment (note (a))	840,977
Exchange differences	(48,806)
At 31 December 2015	**804,580**
Accumulated depreciation	
At 1 January 2014	1,725
Charge for the year	704
Transferred to property, plant and equipment (note (b))	(220)
Exchange differences	(2)
At 31 December 2014	2,207
At 1 January 2015	2,207
Charge for the year	12,710
Transferred from property, plant and equipment (note (a))	112,391
Exchange differences	(7,037)
At 31 December 2015	**120,271**
Net book value	
At 31 December 2015	**684,309**
At 31 December 2014	10,202
Fair values	
At 31 December 2015 (note (d))	**1,156,529**
At 31 December 2014	12,004

Notes:

(a) During the year, properties previously held by Liann Yee Group were transferred to another subsidiary of the Group as investment properties as described in "Key Events" in Note 1.

(b) In 2014, certain properties with net book value of HK$2,649,000 were reclassified as property, plant and equipment (Note 6) due to a change in usage.

(c) At 31 December 2015, land and building with net book value of HK$583,701,000 (2014: nil) were pledged to secure a bank loan granted to a subsidiary of the Group.

7 INVESTMENT PROPERTIES (continued)

Notes:

(d) The Group's investment properties were valued at 31 December 2015 and 2014 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 2015 and 2014, 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:

	2015 HK$'000	2014 HK$'000
At 1 January	**66,378**	69,834
Amortisation (Note 24)	**(3,220)**	(3,266)
Exchange differences	**(3,210)**	(190)
At 31 December	**59,948**	66,378

9 INTANGIBLE ASSETS

	Goodwill HK$'000	**Software development cost HK$'000**	**Total HK$'000**
At 1 January 2014			
Cost	177,624	–	177,624
Accumulated impairment	(5,894)	–	(5,894)
Net book amount	171,730	–	171,730
Year ended 31 December 2014			
Opening net book amount	171,730	–	171,730
Goodwill written off (Note 33(b))	(49,448)	–	(49,448)
Exchange differences	(6,639)	–	(6,639)
Closing net book amount	115,643	–	115,643
At 31 December 2014			
Cost	121,537	–	121,537
Accumulated impairment	(5,894)	–	(5,894)
Net book amount	115,643	–	115,643

9 INTANGIBLE ASSETS (continued)

	Goodwill HK$'000	Software development cost HK$'000	Total HK$'000
Year ended 31 December 2015			
Opening net book amount	115,643	–	115,643
Additions	–	26,976	26,976
Exchange differences	1,076	–	1,076
Goodwill written off (Note 30(d))	(116,719)	–	(116,719)
Closing net book amount	**–**	**26,976**	**26,976**
At 31 December 2015			
Cost	–	26,976	26,976
Accumulated impairment	–	–	–
Net book amount	**–**	**26,976**	**26,976**

As explained in Note 30, the Group disposed 53% equity interest in Liann Yee Group, and accordingly goodwill amounted to HK$116,719,000 was written off in 2015.

10 INTERESTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Investment cost	**5,912**	6,351
Less: accumulated share of losses	**(5,912)**	(6,351)
	–	–
Funds advanced to joint ventures (note (a))	**54,398**	41,981
Loan to a joint venture (note (b))	**2,956**	15,877
Interest receivable from a joint venture	**337**	819
	57,691	58,677
Less: share of losses in excess of investment costs	**(28,058)**	(13,768)
	29,633	44,909

10 INTERESTS IN JOINT VENTURES (continued)

	2015 HK$'000	2014 HK$'000
At 1 January	**44,909**	13,281
Add: investment costs (note (e))	**907,829**	6,351
Add: loan to a joint venture	**300,902**	15,877
Add: fund advanced to a joint venture	**13,044**	15,750
Less: loan repayments	**(155,863)**	–
Add: interest receivables from joint ventures	**3,735**	819
Less: interest received	**(2,488)**	–
Share of losses for the year – continuing operations	**(15,143)**	(7,134)
Share of profits for the year – discontinued operations	**35,922**	–
Share of other comprehensive income for the year	**(34)**	(35)
Exchange differences	**(75,821)**	–
Transferred to non-current asset held for sale (note (d))	**(884,854)**	–
Transferred to loan and receivables (Note 13)	**(142,505)**	–
At 31 December	**29,633**	44,909

Notes:

(a) The Group has advanced in aggregate HK$12,417,000 (2014: nil) 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$41,981,000 (2014: HK$41,981,000) to Concept Legend Limited ("Concept Legend") for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment.

(b) The Group has provided a loan of RMB12,525,000 (HK$15,877,000) to上海翡翠珍宝 for its daily operations in 2014. The loan is unsecured, interest bearing at 6% and has no fixed term of repayment. After the repayment of RMB10,020,000 in 2015, the loan balance at 31 December 2015 was RMB2,505,000 (HK$2,956,000).

(c) As at 31 December 2015, the carrying amounts of the loan and advances approximated their fair values. The fair values are based on discounted cash flows and are included in level 2 fair value hierarchy.

(d) As described in Key Event in Note 1, Liann Yee Group became a joint venture of the Group from 6 May 2015 after the completion of the disposal of 53% equity interest in Liann Yee Group. Because of the plan for the subsequent sale of the remaining 47% interest, the carrying value of the 47% interest was transferred to "Non-current asset held for sale" (Note 30(a)).

(e) The amount in 2015 represented the fair value of the retained 47% interest in Liann Yee Group recognised as interests in joint ventures upon the disposal of 53% interest in Liann Yee Group (Note 30(d)).

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%
# Liann Yee Production Co., Ltd. (note (d))	Taiwan	Production of television programmes, channel operations and advertising	Ordinary shares of NT$10 each	47%

Joint ventures held indirectly by the Company

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 contingent liabilities relating to the Group's interest in the joint ventures. Last year, the Group has provided financial guarantee amounted to HK$13,336,000 for securing payments due by上海翡翠珍宝.

The joint ventures are strategic for the Group's investments in the Hong Kong movie market and the China advertising market.

10 INTERESTS IN JOINT VENTURES (continued)

Summarised statements of financial position of the joint ventures and reconciliations to the carrying amount of the Group's share of net liabilities of the joint ventures:

	As at 31 December 2015			As at 31 December 2014		
	Concept Legend HK$'000	**上海翡翠珍宝 HK$'000**	**Total HK$'000**	Concept Legend HK$'000	上海翡翠珍宝 HK$'000	Total HK$'000
Assets						
Cash and cash equivalents	**26,305**	**1,069**	**27,374**	24,952	17,122	42,074
Other current assets (excluding cash and cash equivalents)	**36,462**	**13,137**	**49,599**	59,544	26,078	85,622
Total current assets	**62,767**	**14,206**	**76,973**	84,496	43,200	127,696
Total non-current assets	**–**	**86**	**86**	–	6,115	6,115
	62,767	**14,292**	**77,059**	84,496	49,315	133,811
Liabilities						
Current financial liabilities (excluding trade payables)	**(79,462)**	**–**	**(79,462)**	(107,243)	–	(107,243)
Other current liabilities (including trade payables)	**(8,001)**	**(44,027)**	**(52,028)**	(1,449)	(36,025)	(37,474)
Total current liabilities	**(87,463)**	**(44,027)**	**(131,490)**	(108,692)	(36,025)	(144,717)
Total non-current financial liabilities	**–**	**(3,272)**	**(3,272)**	–	(16,624)	(16,624)
	(87,463)	**(47,299)**	**(134,762)**	(108,692)	(52,649)	(161,341)
Net liabilities	**(24,696)**	**(33,007)**	**(57,703)**	(24,196)	(3,334)	(27,530)
Interest in joint ventures (50%; 50.1%)	**(12,348)**	**(16,537)**	**(28,885)**	(12,098)	(1,670)	(13,768)
Less: unrecognised share of losses of joint ventures	**–**	**827**	**827**	–	–	–
Carrying value*	**(12,348)**	**(15,710)**	**(28,058)**	(12,098)	(1,670)	(13,768)

* excluding fund advanced, loan and interest receivable

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Concept Legend HK$'000	上海翡翠珍宝 HK$'000	Total HK$'000	Concept Legend HK$'000	上海翡翠珍宝 HK$'000	Total HK$'000
Revenue	42,850	53,046	95,896	2,003	57,994	59,997
Depreciation	–	(316)	(316)	–	(190)	(190)
(Loss)/profit from operations	(500)	(26,235)	(26,735)	1,703	(21,253)	(19,550)
Income tax (expense)/credit	–	(5,228)	(5,228)	–	5,313	5,313
Post-tax (loss)/profit for the year	(500)	(31,463)	(31,963)	1,703	(15,940)	(14,237)
Other comprehensive income						
Currency translation differences	–	1,560	1,560	–	(70)	(70)
Total comprehensive income	(500)	(29,903)	(30,403)	1,703	(16,010)	(14,307)
Dividends received from joint ventures	–	–	–	–	–	–

11 INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Investment costs	736,813	736,813
Less: accumulated share of losses	(736,813)	(736,813)
	–	–
Loan to an associate (note (a))	719,212	719,212
Interest receivable from an associate	23,234	19,660
	742,446	738,872
Less: share of losses in excess of investment costs	(151,035)	(118,269)
Less: provision for impairment loss (note (b))	(591,411)	(89,817)
	–	530,786

Notes:

(a) The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan was repayable by 7 installments from 2016 to 2022.

(b) In addition to the loan described in (a), the Group has an amount due from associates of HK$615,251,000 (2014: HK$537,177,000) as disclosed in Note 15. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 15) to assess whether there is any potential impairment.

During the year, additional impairment losses of HK$501,594,000 and HK$193,505,000 (Note 15) against the loan to and amount due from TVB Network Vision, with a total impairment loss of HK$695,099,000, were made. After making this impairment loss, the total net interests in TVBPVH as of 31 December 2015, which represented the total cost of investment, a long-term loan and amount due less the accumulated share of losses and impairment, had been fully impaired.

11 INTERESTS IN ASSOCIATES (continued)

Details of the material associates are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
TVB Pay Vision Holdings Limited	Hong Kong	Investment holding	Ordinary shares of HK$1 each	*15%
			Non-voting preferred shares of HK$1 each	*100%
# TVB Network Vision Limited	Hong Kong	Domestic pay television programme service	Ordinary shares of HK$1 each	*90%

An associate held indirectly by the Company

* The Group's equity interest was 90% and its voting interest remained at 15% as at 31 December 2015. The Group has the right of first refusal to acquire additional interests in the associate before the remaining shareholder may enter into a transaction of shares transfer with other parties.

All associates are private companies and there are no quoted market prices available for their shares. They are all accounted for using the equity method.

There are no contingent liabilities relating to the Group's interest in the associates. The Group has confirmed its intention to continue providing the financial support to TVBPVH group to meet its obligations and liabilities as and when they fall due.

The associates are strategic for the Group's investment in Hong Kong pay TV market.

11 INTERESTS IN ASSOCIATES (continued)

Summarised statement of financial position of TVBPVH group and reconciliation to the carrying amount of the Group's share of net liabilities of TVBPVH group:

	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000
Assets		
Cash and cash equivalents	**92,777**	73,773
Other current assets (excluding cash and cash equivalents)	**49,310**	60,703
Total current assets	**142,087**	134,476
Total non-current assets	**100,112**	116,655
	242,199	251,131
Liabilities		
Current financial liabilities (excluding trade payables)	**(50,000)**	–
Other current liabilities (including trade payables)	**(651,592)**	(598,757)
Total current liabilities	**(701,592)**	(598,757)
Total non-current financial liabilities	**(692,446)**	(738,872)
	(1,394,038)	(1,337,629)
Net liabilities	**(1,151,839)**	(1,086,498)
Interest in associates (90%)	**(1,036,655)**	(977,848)
Less: unrecognised share of losses of associates	**26,041**	–
	(1,010,614)	(977,848)
Goodwill	**859,579**	859,579
Carrying value*	**(151,035)**	(118,269)

* excluding loan and interest receivable, and impairment provision

11 INTERESTS IN ASSOCIATES (continued)

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2015 HK$'000	For the year ended 31 December 2014 HK$'000
Revenue	**225,010**	268,860
Depreciation	**(15,222)**	(13,883)
Loss from operations	**(65,341)**	(80,425)
Post-tax loss for the year	**(65,341)**	(80,425)
Other comprehensive income	**–**	–
Total comprehensive income	**(65,341)**	(80,425)
Dividends received from associate	**–**	–

The Group does not recognise further losses and total comprehensive income for its other immaterial associate for the years ended 31 December 2015 and 2014 because the Group's share of losses in this immaterial associate has accumulated up to its interest in the associate. The Group has shared cumulative losses of HK$1,225,000 of this immaterial associate.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
At 1 January	**3**	3
Additions	**47,433**	–
At 31 December	**47,436**	3

Details of material available-for-sale financial assets are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particular of issued shares held	Percentage of ownership interest
CMC Flagship Limited	Cayman Islands	Cayman Islands	Investment holding	Ordinary shares of US$1 each	10%

This available-for-sale financial asset is denominated in US dollars.

13 LOAN AND RECEIVABLES

The amount comprised loan to and interest receivables from Liann Yee Group of HK$140,910,000 and HK$1,595,000 respectively. The loan to Liann Yee Group is unsecured, interest bearing at the rate of the aggregate of the Taipei Interbank Offered Rate and 0.425% and is agreed to be repaid by 6 equal installments from 2016 to 2021. However, by exercising the option of voluntary prepayment of the loan, three installments of the loan were early repaid by Liann Yee Group in 2015. The loan and receivables are denominated in New Taiwan dollars. As at 31 December 2015, the carrying amounts of the loan and receivables approximated their fair values. The fair values are based on discounted cash flows and are included in level 2 fair value hierarchy.

14 STOCKS

At 31 December 2015 and 2014, all stocks were stated at the lower of cost and net realisable value.

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 **HK$'000**	2014 HK$'000
Non-current		
Prepayments related to capital expenditure	**55,529**	39,893
Current		
Trade receivables from:		
Joint ventures (Note 37(c))	**1,655**	–
Associates (Note 37(c))	**615,251**	537,177
Related parties (Note 37(c))	**47,162**	42,691
Third parties (note)	**1,381,240**	1,550,881
	2,045,308	2,130,749
Less: provision for impairment loss on receivables from:		
Associates (Note 4(b))	**(615,131)**	(421,626)
Third parties	**(104,622)**	(72,754)
Amounts due from associates	**131**	–
Amounts due from joint ventures	**–**	2,256
Other receivables, prepayments and deposits	**540,831**	478,243
Tax reserve certificates	**–**	422,072
	1,866,517	2,538,940
	1,922,046	2,578,833

Note:

The Group operates a controlled credit policy and allows an average credit period of forty to sixty days to the majority of the Group's customers who satisfy the credit evaluation of the Group. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

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

At 31 December 2015, the ageing of trade receivables based on invoice date including trading balances due from joint ventures, associates and related parties was as follows:

	2015 HK$'000	2014 HK$'000
Current	**478,583**	563,503
1-2 months	**333,377**	341,718
2-3 months	**193,230**	251,162
3-4 months	**179,911**	203,377
4-5 months	**94,878**	83,649
Over 5 months	**765,329**	687,340
	2,045,308	2,130,749

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

	2015 %	2014 %
Hong Kong dollars	**83**	79
US dollars	**6**	6
New Taiwan dollars	**–**	8
Malaysian Ringgit	**2**	2
Renminbi	**8**	4
Other currencies	**1**	1
	100	100

As at 31 December 2015, trade receivables past due but not impaired were aged as follows:

	2015 HK$'000	2014 HK$'000
Up to 5 months	**626,892**	596,687
Over 5 months to 1 year	**63,726**	149,608
Over 1 year	**15,613**	45,919
	706,231	792,214

Receivables that were past due but not impaired relate to customers that have a good trade record with the Group. Management believes that no impairment allowance is necessary for these balances.

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

As at 31 December 2015, trade receivables which were impaired were aged as follows:

	2015 HK$'000	2014 HK$'000
Up to 5 months	33,763	2,567
Over 5 months to 1 year	89,984	8,306
Over 1 year	596,006	483,507
	719,753	494,380

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

	2015 HK$'000	2014 HK$'000
At 1 January	494,380	521,067
Provision for impairment loss		
– Associates	193,505	–
– Third parties	36,490	7,173
Reversal of provision for impairment loss		
– Third parties	(3,690)	(33,134)
Receivables written off as uncollectible	(538)	(375)
Disposal/liquidation of subsidiaries	(134)	(211)
Exchange differences	(260)	(140)
At 31 December	719,753	494,380

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 fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16 RESTRICTED CASH

	2015 HK$'000	2014 HK$'000
Pledged bank deposits and cash kept at banks	1,825	9,039

The current year restricted cash was used to secure banking and credit facilities granted to certain subsidiaries of the Group. Last year restricted cash was used to secure banking and credit facilities granted to certain subsidiaries of the Group, and to secure bank loans granted to the Company.

The carrying amount of restricted cash approximates its fair value.

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

	2015 HK$'000	2014 HK$'000
Bank deposits maturing after three months	**691,387**	135,676
Cash at bank and on hand	**264,440**	587,398
Short-term bank deposits	**1,861,535**	2,608,471
Cash and cash equivalents	**2,125,975**	3,195,869
	2,817,362	3,331,545

Note:

The maximum exposure to credit risk on bank balances is represented by the carrying amount in the statement of financial position. The carrying amounts of the bank deposits maturing after three months and cash and cash equivalents approximate their fair values.

Bank deposits maturing after three months and cash and cash equivalents are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Hong Kong dollars	**1,050,555**	803,581
US dollars	**988,546**	789,971
Renminbi	**740,447**	1,353,652
New Taiwan dollars	**26,287**	341,097
Other currencies	**11,527**	43,244
	2,817,362	3,331,545

18 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2014	438,000	21,900
Transition to no-par value regime on 3 March 2014 (note)	–	642,144
At 31 December 2014 and 1 January 2015 and 31 December 2015	**438,000**	**664,044**

Note:

In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium and capital redemption reserve accounts have become part of the Company's share capital (Note 19).

19 OTHER RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2014	602,026	40,118	70,000	(191)	167,954	(36,653)	843,254
Transition to no-par value regime on 3 March 2014 (Note 18)	(602,026)	(40,118)	–	–	–	–	(642,144)
Transferred from retained earnings	–	–	–	–	19,982	–	19,982
Currency translation differences:							
– Group	–	–	–	–	–	(87,252)	(87,252)
– Joint ventures	–	–	–	–	–	(35)	(35)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	–	–	–	–	–	25,436	25,436
Balance at 31 December 2014	–	–	70,000	(191)	187,936	(98,504)	159,241
Balance at 1 January 2015	–	–	70,000	(191)	187,936	(98,504)	159,241
Transferred from retained earnings	–	–	–	–	3,882	–	3,882
Currency translation differences:							
– Group	–	–	–	–	–	(38,564)	(38,564)
– Joint ventures	–	–	–	–	–	(34)	(34)
Reclassification adjustment to profit or loss on disposal of subsidiaries	–	–	–	–	–	7,531	7,531
Disposal of subsidiaries	–	–	–	(864)	(155,152)	–	(156,016)
Loss previously in reserve released to profit or loss on disposal of subsidiaries	–	–	–	1,055	–	–	1,055
Balance at 31 December 2015	**–**	**–**	**70,000**	**–**	**36,666**	**(129,571)**	**(22,905)**

Capital reserve – in accordance with the local regulations of a subsidiary in Taiwan, the subsidiary is required to transfer the gain on deemed disposal of its associate to the capital reserve which can only be used to cover operating losses; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

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

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

20 TRADE AND OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Trade payables to:		
Joint ventures (Note 37(c))	5,123	–
Associates (Note 37(c))	7,205	–
Related parties (Note 37(c))	5,243	6,007
Third parties	131,995	134,075
	149,566	140,082
Amount due to a joint venture	–	1
Receipts in advance, deferred income and customers' deposits	121,221	124,703
Provision for employee benefits and other expenses	163,906	276,631
Accruals and other payables	251,504	251,602
	686,197	793,019

At 31 December 2015, the ageing of trade payables based on invoice date including trading balances due to joint ventures, associates and related parties was as follows:

	2015 HK$'000	2014 HK$'000
Current	117,911	109,530
1-2 months	17,853	25,054
2-3 months	7,180	3,497
3-4 months	1,718	690
4-5 months	1,211	176
Over 5 months	3,693	1,135
	149,566	140,082

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

	2015 %	2014 %
Hong Kong dollars	41	30
US dollars	29	14
New Taiwan dollars	–	19
Renminbi	24	32
Malaysian Ringgit	–	4
Other currencies	6	1
	100	100

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

21 BORROWINGS

	2015 HK$'000	2014 HK$'000
Non-current		
Long-term bank loan, secured	**234,850**	293,700
Current		
Short-term bank loans, secured	–	97,900
Total bank borrowings	**234,850**	391,600

At 31 December 2015, bank borrowings were repayable as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	–	97,900
Between 1 and 2 years	**10,538**	9,790
Between 2 and 5 years	**54,196**	176,220
Over 5 years	**170,116**	107,690
	234,850	391,600

The long-term bank loan is secured by land and buildings with a net book value of HK$583,701,000 (2014: HK$623,435,000).

The short-term bank loan as at 31 December 2014 was secured by land and buildings with a net book value of HK$96,637,000. The short-term bank loan was fully repaid in 2015.

The effective interest rate of the floating rated long-term bank loan at the end of the reporting period was 1.67% (2014: 1.82%). The effective interest rate of the short-term bank loans of fixed rate as at 31 December 2014 was 2.02%.

The carrying amount of the Group's long-term bank loan approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flow discounted using a rate based on the borrowing rate of 1.66% (2014: 1.80%). The borrowing is included in level 2 fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in New Taiwan dollars.

22 DEFERRED INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Net deferred income tax assets recognised on the statement of financial position	**(37,299)**	(23,529)
Net deferred income tax liabilities recognised on the statement of financial position	**321,776**	181,080
	284,477	157,551

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

	2015 HK$'000	2014 HK$'000
At 1 January	**157,551**	162,312
Exchange differences	**1,012**	717
Recognised in the income statement (note)	**119,270**	(5,673)
Recognised in other comprehensive income	**–**	352
Disposal of subsidiaries (Note 30(d))	**6,644**	–
Liquidation of subsidiaries (Note 33(b))	**–**	(157)
At 31 December	**284,477**	157,551

Note:

The amount recognised in 2015 included deferred income tax expenses of HK$135,386,000 recorded under discontinued operations.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2015, the Group has unrecognised tax losses of HK$163,091,000 (2014: HK$148,629,000) to carry forward against future taxable income. These tax losses will expire as follows:

	2015 HK$'000	2014 HK$'000
After the fifth year	**2,930**	2,313
No expiry date	**160,161**	146,316
At 31 December	**163,091**	148,629

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 2014	114,085	83,859	197,944
Recognised in the income statement	8,201	(9,987)	(1,786)
Liquidation of subsidiaries	(157)	–	(157)
Exchange differences	90	1	91
At 31 December 2014	122,219	73,873	196,092
Recognised in the income statement	8,774	126,909	135,683
Exchange differences	96	–	96
At 31 December 2015	**131,089**	**200,782**	**331,871**

Deferred income tax assets

	Retirement benefit obligations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2014	6,891	–	28,741	35,632
Recognised in the income statement	(792)	70	4,609	3,887
Recognised in other comprehensive income	(352)	–	–	(352)
Exchange differences	(327)	–	(299)	(626)
At 31 December 2014	5,420	70	33,051	38,541
Recognised in the income statement	–	10,856	5,557	16,413
Disposal of subsidiaries	(5,552)	–	(1,092)	(6,644)
Exchange differences	132	–	(1,048)	(916)
At 31 December 2015	**–**	**10,926**	**36,468**	**47,394**

23 RETIREMENT BENEFIT OBLIGATIONS

	2015 HK$'000	2014 HK$'000
Obligations on:		
Pensions – defined contribution plans (note (a))	**7,186**	9,091
Pensions – defined benefit plans (note (b))	**–**	34,628
	7,186	43,719

Notes:

(a) Pensions – defined contribution plans

No forfeited contribution was utilised during the years 2014 and 2015.

Contributions totalling HK$7,186,000 (2014: HK$9,091,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefit plans

Upon the disposal of the 53% equity interest in Liann Yee Group, the obligation in relation to the defined benefit retirement scheme providing benefits to eligible employees located in Taiwan under local regulations was not included in the Group's consolidated statement of financial position as at 31 December 2015.

24 PROFIT BEFORE INCOME TAX

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

	2015 HK$'000	2014 HK$'000 (Restated)
Continuing operations		
Net exchange losses (including exchange losses on Renminbi fixed term deposits)	**126,793**	15,839
Gross rental income from investment properties	**(21,436)**	(2,424)
Direct operating expenses arising from investment properties	**2,994**	502
Loss on disposals of property, plant and equipment	**1,178**	568
Auditors' remuneration		
– Audit services	**4,479**	4,290
– Non-audit service fees	**2,802**	6,278
Cost of programmes, film rights and stocks	**1,538,823**	1,575,434
Depreciation (Note 6 and 7)	**278,054**	256,642
Amortisation of land use rights (Note 8)	**3,220**	3,266
Operating leases		
– Equipment and transponders	**15,227**	15,226
– Land and buildings	**32,742**	35,266
Employee benefit expense (excluding directors' emoluments) (Note 26(a))	**1,509,976**	1,511,590
Discontinued operations		
Cost of programmes, film rights and stocks	**39,324**	144,141
Depreciation (Note 6 and 7)	**18,354**	57,481
Employee benefit expense (excluding directors' emoluments) (Note 26(a))	**87,668**	264,496

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of all Directors and the chief executive for the year ended 31 December 2015 and 2014 are set out below:

Name of Director	2015					
	Fees HK$'000	Salaries, leave pay and other benefit HK$'000	Discretionary bonuses HK$'000	Gratuity HK$'000	Pension contributions HK$'000	Total HK$'000
Mark Lee Po On (note (i))	220	5,833	2,700	–	549	9,302
Cheong Shin Keong	220	4,754	1,606	–	441	7,021
Mona Fong	301	–	–	–	–	301
Dr. Charles Chan Kwok Keung	750	–	–	–	–	750
Cher Wang Hsiueh Hong (note (ii))	68	–	–	–	–	68
Jonathan Milton Nelson	220	–	–	–	–	220
Anthony Lee Hsien Pin	395	–	–	–	–	395
Chen Wen Chi	370	–	–	–	–	370
Dr. Chow Yei Ching, GBS (note (iii))	47	–	–	–	–	47
Raymond Or Ching Fai, SBS, JP	504	–	–	–	–	504
William Lo Wing Yan	465	–	–	–	–	465
Professor Caroline Wang Chia-Ling	187	–	–	–	–	187
Dr. Allan Zeman	166	–	–	–	–	166
Thomas Hui To	246	–	–	–	–	246
	4,159	10,587	4,306	–	990	20,042

Name of Director	2014					
	Fees HK$'000	Salaries, leave pay and other benefit HK$'000	Discretionary bonuses HK$'000	Gratuity HK$'000	Pension contributions HK$'000	Total HK$'000
Dr. Norman Leung Nai Pang, GBS, LLD, JP	200	6,925	3,600	6,400	672	17,797
Mark Lee Po On	200	5,229	3,000	–	523	8,952
Mona Fong	350	–	–	–	–	350
Kevin Lo Chung Ping	171	–	–	–	–	171
Dr. Charles Chan Kwok Keung	350	–	–	–	–	350
Cher Wang Hsiueh Hong	200	–	–	–	–	200
Jonathan Milton Nelson	200	–	–	–	–	200
Anthony Lee Hsien Pin	320	–	–	–	–	320
Chen Wen Chi	350	–	–	–	–	350
Dr. Chow Yei Ching, GBS	260	–	–	–	–	260
Edward Cheng Wai Sun, SBS, JP	300	–	–	–	–	300
Chien Lee	137	–	–	–	–	137
Gordon Siu Kwing Chue, GBS, JP	400	–	–	–	–	400
Raymond Or Ching Fai, SBS, JP	376	–	–	–	–	376
	3,814	12,154	6,600	6,400	1,195	30,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Notes:

(i) Mr. Mark Lee Po On assumed the functions of the chief executive of the Company during the year, and was re-titled as the Group Chief Executive Officer with effect from 1 January 2015.

(ii) Cher Wang Hsiueh Hong resigned on 23 April 2015.

(iii) Dr. Chow Yei Ching resigned on 1 March 2015.

(b) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

	2015 HK$'000	2014 HK$'000
Continuing operations		
Wages and salaries	**1,421,054**	1,423,448
Pension costs – defined contribution plans	**88,922**	88,142
	1,509,976	1,511,590
Discontinued operations		
Wages and salaries	**82,746**	251,290
Pension costs – defined contribution plans	**4,057**	12,137
Pension costs – defined benefit plans	**865**	1,069
	87,668	264,496

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) Directors whose emoluments are reflected in the analysis presented in Note 25(a) above. The emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and leave pay	**9,864**	11,411
Bonuses	**2,340**	3,498
Pension contributions	**384**	709
	12,588	15,618

26 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals (continued)

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

Emolument bands	Number of individuals in each band	
	2015	2014
HK$3,500,001 – HK$4,000,000	**2**	1
HK$5,000,001 – HK$5,500,000	**1**	1
HK$6,500,001 – HK$7,000,000	**–**	1
	3	3

(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	
	2015	2014
HK$1,000,001 – HK$1,500,000	**1#**	–
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	1
HK$8,500,001 – HK$9,000,000	**–**	1
HK$9,000,001 – HK$10,000,000	**1**	–
	6	5

* included two (2014: one) Directors of the Company

\# one employee joined senior management with effect from 1 October 2015

27 OTHER LOSSES, NET

	2015 HK$'000	2014 HK$'000 (Restated)
Net loss on liquidation of subsidiaries (Note 33(b))	**–**	(71,706)
Net exchange losses (note)	**(84,657)**	(11,730)
	(84,657)	(83,436)

Note:

The amount excluded exchange losses on Renminbi fixed term deposits of HK$42,136,000 (2014: HK$4,109,000).

28 FINANCE COSTS

	2015 HK$'000	2014 HK$'000 (Restated)
Interest on bank borrowings	**6,441**	2,763

29 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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:

	2015 HK$'000	2014 HK$'000 (Restated)
Current income tax:		
– Hong Kong	**146,010**	214,786
– Overseas	**18,149**	29,014
– Over provisions in prior years	**(4,091)**	(16,417)
Total current income tax	**160,068**	227,383
Deferred income tax:		
– Origination and reversal of temporary differences	**(16,116)**	(6,456)
– Effect of decrease in tax rate	**–**	8
Total deferred income tax (Note 22)	**(16,116)**	(6,448)
	143,952	220,935

29 INCOME TAX EXPENSE (continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the place where the Company operates as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Profit before income tax	**126,440**	1,482,253
Calculated at a taxation rate of 16.5% (2014: 16.5%)	**20,863**	244,572
Effect of different taxation rates in other countries	**4,526**	3,092
Tax effect on the share of results of associates and joint ventures	**9,171**	13,799
Income not subject to taxation	**(44,890)**	(44,879)
Expenses not deductible for taxation purposes	**178,677**	28,506
Tax losses not recognised	**4,115**	12,218
Utilisation of previously unrecognised tax losses	**(375)**	(580)
Tax credit allowance	**(16,689)**	(14,686)
Withholding tax on overseas dividend	**(8,305)**	(3,525)
Allowance for previous non-deductible expenses	**–**	(1,938)
Remeasurement of deferred tax due to change in tax rate	**–**	8
Others	**950**	765
Over provisions in prior years	**(4,091)**	(16,417)
	143,952	220,935

30 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

As more fully explained in Note 1 in respect of the disposal of Liann Yee Group, the results of Taiwan operations together with the related gain on disposal have been presented as discontinued operations in the consolidated financial statements.

(a) Non-current asset held for sale

Following the subsequent disposal of the remaining interest in Liann Yee Group as more fully explained in Note 1, the carrying value of the retained 47% equity interest in Liann Yee Group amounted to HK$884,854,000 has been reclassified as "Non-current asset held for sale" in the consolidated financial statements.

30 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(b) Analysis of the results of the discontinued operations:

	2015 HK$'000	2014 HK$'000
Revenue	**276,081**	866,402
Cost of sales	**(134,684)**	(441,929)
Gross profit	**141,397**	424,473
Other revenues	**2,890**	5,958
Selling, distribution and transmission costs	**(29,831)**	(101,102)
General and administrative expenses	**(31,202)**	(75,646)
Other (losses)/gains, net	**(468)**	1,187
Finance costs	**(1,896)**	(771)
Profit before income tax	**80,890**	254,099
Income tax credit/(expense)	**2,262**	(58,870)
Profit after income tax	**83,152**	195,229
Share of profit of 47% equity interest as a joint venture from 6 May 2015	**35,922**	–
Tax expenses on undistributed profit	**(15,938)**	(36,952)
Profit for the year from discontinued operations	**103,136**	158,277
Tax on dividend distributed prior to completion of disposal of 53% equity interest	**(52,726)**	–
Gain on disposal of subsidiaries (note (i))	**1,395,770**	–
Deferred tax in relation to gain from disposal (note (ii))	**(110,676)**	–
	1,335,504	158,277
Profit attributable to:		
– Equity holders of the Company	**1,335,504**	158,277

Notes:

(i) Totally a disposal gain of HK$1,395,770,000, represented by a gain on disposal of the equity interest of HK$851,621,000 and a gain on retained interest of HK$544,149,000, was recognised.

(ii) In view of a plan to repatriate the proceeds from the Second Disposal from Taiwan to Hong Kong in the form of dividend upon its completion, a deferred tax provision of HK$110,676,000 had been made in the consolidated financial statements for the year ended 31 December 2015.

30 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

(c) Analysis of the cash flows of discontinued operations is as follows:

	2015 HK$'000	2014 HK$'000
Net cash inflow/(outflow) from operating activities	**154,116**	(276,355)
Net cash inflow/(outflow) from investing activities	**1,151,100**	(342,759)
Net cash (outflow)/inflow from financing activities	**(553,086)**	818,063
Net cash inflow from discontinued operations	**752,130**	198,949

(d) Disposal of subsidiaries

	HK$'000
Net assets disposed:	
Property, plant and equipment	**569,983**
Deferred income tax assets	**6,644**
Loan to a subsidiary of the Group	**63,190**
Programmes and film rights	**25,107**
Stocks	**508**
Trade and other receivables, prepayments and deposits	**192,388**
Restricted cash	**451**
Bank deposits maturing after three months	**2,257**
Cash and cash equivalents	**203,502**
Loan from a subsidiary of the Group	**(300,902)**
Trade and other payables and accruals	**(140,126)**
Current income tax liabilities	**(51,286)**
Retirement benefit obligations	**(35,198)**
	536,518
Goodwill (Note 9)	**116,719**
Capital reserve	**1,055**
Exchange loss transferred from translation reserve	**7,531**
Expenses incurred on disposal	**32,380**
	694,203
Cash consideration	**1,182,144**
Fair value of retained interests (Note 10)	**907,829**
	2,089,973
Gain on disposal of subsidiaries	**1,395,770**
Analysis of net cash flow on disposal:	
Cash consideration received	**1,182,144**
Cash and cash equivalents disposed of	**(203,502)**
Net cash inflow from disposal of subsidiaries	**978,642**

31 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated based on the Group's profit attributable to equity holders of HK$1,331,223,000 (2014: HK$1,409,632,000) and 438,000,000 shares in issue throughout the years ended 31 December 2015 and 2014. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	2015 HK$'000	2014 HK$'000 (Restated)
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	**(4,281)**	1,251,355
– Discontinued operations	**1,335,504**	158,277
	1,331,223	1,409,632

32 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim dividend paid of HK$0.60 (2014: HK$0.60) per ordinary share	**262,800**	262,800
Proposed final dividend of HK$2.00 (2014: HK$2.00) per ordinary share	**876,000**	876,000
Special dividend, nil declared (2014: HK$2.30 per ordinary share)	**–**	1,007,400
	1,138,800	2,146,200

At a meeting held on 23 March 2016, the Directors recommended a final dividend of HK$2.00 per ordinary share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2015 HK$'000	2014 HK$'000
Profit before income tax	**1,639,022**	1,736,352
Adjustments for:		
Depreciation and amortisation	**299,628**	317,389
Defined benefit plans	**(277)**	(2,675)
Provision for impairment loss on loan to an associate	**501,594**	–
Provision for impairment loss on trade receivables	**229,995**	7,173
Reversal of provision for impairment loss on trade receivables	**(3,690)**	(33,134)
Provision for impairment loss of property	**87,955**	–
Share of (profits)/losses of joint ventures	**(20,779)**	7,134
Share of losses of associates	**32,766**	72,382
Gain on disposal of subsidiaries	**(1,395,770)**	–
Net loss on liquidation of subsidiaries (note (b))	**–**	71,706
Loss on disposal of property, plant and equipment	**1,221**	382
Interest income	**(55,374)**	(63,261)
Finance costs	**6,679**	3,534
Exchange differences	**150,139**	(255)
	1,473,109	2,116,727
Increase in programmes, film rights, movies and stocks	**(5,182)**	(300,251)
Increase in trade and other receivables, prepayments and deposits	**(84,409)**	(36,278)
Decrease/(increase) in trade and other payables and accruals	**27,742**	(131,840)
Cash generated from operations	**1,411,260**	1,648,358

(b) Net loss on liquidation of subsidiaries

The Group discontinued the operation of certain indirect wholly-owned subsidiaries of the Company incorporated in France, the United Kingdom, the Cayman Islands and Hong Kong through liquidations under the procedures prescribed under the laws of the relevant country of operation. A total loss of HK$72,699,000 was recognised in 2014.

A 51% indirectly owned subsidiary of the Company incorporated in Malaysia, which was previously put into liquidation in 2002 was officially liquidated in 2014. A gain of HK$993,000 was recognised.

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

(b) Net loss on liquidation of subsidiaries (continued)

Details of net loss on liquidation of subsidiaries are summarised as follows:

	2014 HK$'000
Net assets disposed:	
Property, plant and equipment	2,549
Programme and film rights	307
Stocks	1,309
Trade and other receivables, prepayments and deposits	3,927
Cash and cash equivalents	2,371
Trade and other payables and accruals	(13,326)
Current income tax liabilities	(158)
Deferred income tax liabilities	(157)
	(3,178)
Goodwill (Note 9)	49,448
Exchange loss transferred from translation reserve (Note 19)	25,436
Net loss on liquidation of subsidiaries	71,706
Analysis of net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries:	
Cash and cash equivalents	(2,371)

34 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	2015 HK$'000	2014 HK$'000
Guarantees for banking facilities granted to:		
An investee company	**7,263**	8,691
A joint venture	–	13,336
	7,263	22,027

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.

35 COMMITMENTS

(a) Capital commitments

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

	2015 HK$'000	2014 HK$'000
Contracted but not provided for	**166,297**	100,044

(b) Contractual programme rights commitments

The amounts of commitments for programme rights are as follows:

	2015 HK$'000	2014 HK$'000
Programme rights commitments	**181,961**	310,015

(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:

	2015 HK$'000	2014 HK$'000
Land and buildings		
– not later than one year	**11,037**	29,027
– later than one year and not later than five years	**6,486**	13,615
	17,523	42,642
Equipment and transponders		
– not later than one year	**13,078**	23,278
– later than one year and not later than five years	**16,672**	43,621
	29,750	66,899
	47,273	109,541

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.

35 COMMITMENTS (continued)

(d) Operating lease commitments as lessor

At 31 December 2015, the Group had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK$'000	2014 HK$'000
Land and buildings		
– not later than one year	**9,699**	8,460
– later than one year and not later than five years	**17,819**	23,996
	27,518	32,456

36 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 2015.

On 12 May 2015, the Government announced that the Company's application for renewal of the domestic free television programme service licence for a period of 12 years from 1 December 2015 to 30 November 2027 has been approved. 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.

37 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	2015 HK$'000	2014 HK$'000
Sales of services:			
Joint ventures			
Rental income	(i)	**18,380**	–
Technical and facilities services fees	(i)	**5,372**	–
* Movie production charges	(ii)	**891**	3,485
Associates			
Programmes/channel licensing fees	(iii)	**57,894**	63,848
Broadcasting and transmission service fees	(iii)	**12,240**	12,240
Rental income and related charges	(iii)	**7,999**	7,999
Advertising and subscription income	(iii)	**126**	3,701
Others	(iii)	**2,906**	2,987
Other related parties			
* Programmes/channel licensing fees	(iv)	**–**	57,941
* Programmes/channel licensing fees	(iv)	**229,907#**	220,736#
* Advertising consultancy fees	(iv)	**29,720#**	33,807#
		365,435	406,744
Purchases of services:			
Joint ventures			
Programmes licensing fees	(i)	**(42,979)**	–
Others	(i)	**(1,062)**	–
Associates			
Playback and uplink service fees	(iii)	**(30,741)**	(31,154)
Graphic service fees	(iii)	**(1,250)**	(3,000)
Others	(iii)	**(2,825)**	(2,294)
Other related parties			
* Project management fees	(v)	**(3,332)**	(4,320)
		(82,189)	(40,768)

* 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.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from/(paid to) Liann Yee Production Co., Ltd., a joint venture of the Group since 6 May 2015.

(ii) The fees were received from Concept Legend Limited, a joint venture of the Group.

(iii) The fees were received from/(paid to) TVB Network Vision, an associate of the Company.

(iv) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.

(v) The fees were paid to ITC Properties Management Limited, an entity jointly controlled by a person who has significant influence over the Company and a close member of that person's family.

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

The Company supplies channel contents to TVB Network Vision in exchange of the advertising revenue attributable to the relevant channels.

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

(b) Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries and other short-term employee benefits	25,895	41,959

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

	2015 HK$'000	2014 HK$'000
Receivables from joint ventures	1,655	–
Receivables from associates (note)	615,251	537,177
Receivables from other related parties	47,162	42,691
	664,068	579,868

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

	2015 HK$'000	2014 HK$'000
Payables to joint ventures	**5,123**	–
Payables to associates	**7,205**	–
Payables to other related parties	**5,243**	6,007
	17,571	6,007

Note:

At 31 December 2015, a provision for impairment loss of amount due from associates of HK$615,131,000 (2014: HK$421,626,000) had been provided (Note 15).

(d) Fund advanced/loan to related parties

	2015 HK$'000	2014 HK$'000
Fund advanced to joint ventures		
Beginning of the year	**41,981**	26,231
Fund advanced	**13,044**	15,750
Exchange differences	**(627)**	–
End of the year	**54,398**	41,981
Loan to joint ventures		
Beginning of the year	**16,696**	–
Loan provided	**300,902**	15,778
Interest charged	**3,735**	816
Loan repayment	**(155,863)**	–
Interest received	**(2,488)**	–
Exchange differences	**(17,184)**	102
End of the year*	**145,798**	16,696
Loan to an associate		
Beginning of the year	**738,872**	735,419
Interest charged	**3,574**	3,453
End of the year	**742,446**	738,872

* including loan to and interest receivables from Liann Yee Group of HK$142,505,000 (Note 13)

At 31 December 2015, a full provision for impairment loss of the loan to an associate had been made (Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 EVENT SUBSEQUENT TO THE YEAR END

On 4 January 2016, the Group entered into a conditional Disposal Agreement to conditionally sell the remaining 47% equity interest in Liann Yee Group. The transaction was completed on 10 March 2016.

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,552,870**	1,678,757
Land use rights	**17,406**	17,821
Intangible assets	**26,976**	–
Interests in subsidiaries	**339,002**	1,016,795
Interests in joint ventures	**29,031**	29,031
Interests in associates	**–**	530,786
Prepayments	**35,528**	39,893
Total non-current assets	**2,000,813**	3,313,083
Current assets		
Programmes and film rights	**675,677**	667,250
Stocks	**4,196**	4,161
Trade and other receivables, prepayments and deposits	**1,444,884**	1,492,881
Tax recoverable	**10,588**	–
Bank deposits maturing after three months	**617,733**	133,473
Cash and cash equivalents	**1,421,876**	1,865,006
Total current assets	**4,174,954**	4,162,771
Total assets	**6,175,767**	7,475,854
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**664,044**	664,044
Other reserves	**70,000**	70,000
Retained earnings	**4,604,441**	6,111,289
Total equity	**5,338,485**	6,845,333
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**111,580**	112,320
Total non-current liabilities	**111,580**	112,320

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

Statement of financial position of the Company (continued)

	2015 HK$'000	2014 HK$'000
Current liabilities		
Trade and other payables and accruals	**725,702**	489,314
Current income tax liabilities	**–**	28,887
Total current liabilities	**725,702**	518,201
Total liabilities	**837,282**	630,521
Total equity and liabilities	**6,175,767**	7,475,854

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

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

Reserve movement of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Total HK$'000
Balance at 1 January 2014	602,026	40,118	70,000	712,144
Transition to no-par value regime on 3 March 2014 (Note 18)	(602,026)	(40,118)	–	(642,144)
Balance at 31 December 2014	–	–	70,000	70,000
Balance at 1 January 2015 and 31 December 2015	**–**	**–**	**70,000**	**70,000**

40 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 23 March 2016.

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Long Wisdom Limited	2	HK$2	100	100	Properties holding
Shaw Brothers Pictures Limited	20	HK$20	100	100	Production of motion pictures for theatrical release and distribution and artiste management
TVBI Company Limited	200,000	HK$2,000,000	100	100	Programme licensing
The Voice Entertainment Group Limited	1	HK$1	100	100	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	100	100	Publishing and licensing of musical works
Zenith Digital Creation Limited	1	HK$1	100	100	Computer graphics/ animations production
Art Limited	10,000	HK$10,000	73.68	–	Film licensing and distribution
FC Movie Company Limited	1	HK$1	100	–	Production of motion pictures for theatrical release and distribution
Tailor Made Production Limited	10	HK$10	100	–	Production of motion pictures, TV Programmes and artiste management
TVB (Europe) Limited	50,000	HK$500,000	100	–	Provision of subscription television programmes
TVB Facilities Limited	10,000	HK$10,000	100	–	Provision of services for programme productions
TVB Publications Limited	20,000,000	HK$20,000,000	73.68	–	Magazine publications
TVB Publishing Holding Limited (note (c))	90,000,000	HK$199,710,000	73.68	–	Investment holding
TVB Satellite Broadcasting Limited	2	HK$2	100	–	Provision of programming and channel services
TVB Satellite TV (HK) Limited	2	HK$2	100	–	Provision of pay television programmes
TVB.COM Limited	2	HK$2	100	–	Internet web portal

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB 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
广东采星坊演艺谘询服务有限公司 (note (a))	The People's Republic of China	Not applicable	RMB10,000,000	100	100	Provision of consultancy, management and agency services to artistes
上海翡翠东方传播有限公司 (note (a))	The People's Republic of China	Not applicable	RMB200,000,000	55	55	Provision of agency services on advertisements, television programmes, film rights and management services
Condor Entertainment B.V. (note (b))	The Netherlands	400	EUR18,400	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
聯意投資股份有限公司	Taiwan	75,000,000	NT$750,000,000	100	–	Investment holding
Liann Yee Asset Co., Ltd.	Taiwan	74,760,700	NT$747,607,000	100	–	Property investment
TVB (Australia) Pty. Ltd.	Australia	5,500,000	A$5,500,000	100	–	Provision of satellite and subscription television programmes
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries (continued)

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB Macau Company Limited	Macau	Not applicable	MOP25,000	100	–	Provision of services for programme productions
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	55	–	Programme licensing
TVB Satellite Platform, Inc. (note (a))	USA	300,000	US$3,000,000	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	12,000	US$12,000	100	–	Provision of satellite and subscription television programmes
TVB (USA) Inc. (note (a))	USA	1,000	US$10,000	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom	1,000	GBP1,000	100	–	Programme licensing
TVBO Facilities Limited	Bermuda	12,000	US$12,000	100	–	Provision of services for programme productions

Notes:

None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

There is no significant contractual arrangement with the non-controlling interests.

(a) The accounts of these subsidiaries, which do not materially affect the results of the Group, have been audited by firms other than PricewaterhouseCoopers.

(b) The accounts of these subsidiaries are not audited.

(c) On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares at HK$8.60 per share to its non-controlling shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2015.

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

(e) All principal subsidiaries are limited liability companies.