Television Broadcasts Limited
電視廣播有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 00511

ANNOUNCEMENT OF 2016 ANNUAL RESULTS

2016 RESULTS HIGHLIGHTS

- Revenue from continuing operations decreased from HK$4,455 million to HK$4,210 million, a decrease of HK$245 million or 5%.

- Total costs from continuing operations (excluding non-recurring cost items but including the Rio 2016 Olympic Games broadcast costs) increased from HK$3,439 million to HK$3,888 million, an increase of HK$449 million or 13%.

- A smaller net exceptional gain of HK$115 million, arising mainly from the disposal of the remaining interest in Taiwan operations and the impairment loss relating to pay TV business, TVB Network Vision Limited, was recorded in 2016.

- As a result, profit attributable to equity holders from continuing and discontinued operations decreased from HK$1,331 million to HK$500 million, a decrease of HK$831 million or 62%. Earnings per share from continuing and discontinued operations decreased from HK$3.04 to HK$1.14.

- The Board had declared on 24 August 2016 an interim dividend of HK$0.60 per share for the year ended 31 December 2016. However, the Board has resolved to defer the proposal for further dividend to the next Board meeting immediately following the outcome of the Offer for the share buy-back. The Offer will clearly have an impact on the number of Shares in issue and the balance of cash and distributable reserves that the Company has for any such dividend. The Company expects that, barring unforeseeable circumstances, the agenda for the forthcoming annual general meeting of the Company will include matters relating to dividend.

The Board of Directors ("Board") of Television Broadcasts Limited ("Company" or "TVB") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, "Group") for the year ended 31 December 2016 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Continuing operations			
Revenue	3	**4,210,308**	4,454,725
Cost of sales		**(2,299,537)**	(2,009,187)
Gross profit		**1,910,771**	2,445,538
Other revenues	3	**68,924**	75,330
Selling, distribution and transmission costs		**(639,031)**	(576,754)
General and administrative expenses		**(949,486)**	(853,477)
Other losses, net	5	**(125,995)**	(84,657)
		265,183	1,005,980
Exchange losses on Renminbi fixed term deposits		**–**	(42,136)
Gain on disposal of investment properties		**279,836**	–
Impairment loss on a property		**–**	(87,955)
Operating profit		**545,019**	875,889
Finance costs	6	**(33,814)**	(6,441)
Share of losses of joint ventures		**(1,791)**	(15,143)
Share of losses of associates		**(4,126)**	(32,766)
Impairment loss on loan to and amounts due from an associate		**(22,986)**	(695,099)
Write-back of impairment loss on amounts due from an associate arising from business combination		**70,636**	–
Profit before income tax	7	**552,938**	126,440
Income tax expense	8	**(105,239)**	(143,952)
Profit/(loss) for the year from continuing operations		**447,699**	(17,512)

CONSOLIDATED INCOME STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Discontinued operations			
Profit for the year from discontinued operations		**–**	103,136
Tax on dividend distributed prior to completion of disposal		**–**	(52,726)
Gain on disposal of discontinued operations	13(b)	**78,028**	1,395,770
Deferred tax in relation to gain from disposal		**(7,076)**	(110,676)
		70,952	1,335,504
Profit for the year		**518,651**	1,317,992
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		**428,993**	(4,281)
– Discontinued operations		**70,952**	1,335,504
		499,945	1,331,223
Non-controlling interests			
– Continuing operations		**18,706**	(13,231)
		518,651	1,317,992
Earnings/(loss) per share (basic and diluted) for profit/(loss) attributable to equity holders of the Company during the year			
– Continuing operations	9	**HK$0.98**	HK$(0.01)
– Discontinued operations	9	**HK$0.16**	HK$3.05
		HK$1.14	HK$3.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	HK$'000
Profit for the year	**518,651**	1,317,992
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**21,647**	(48,517)
– Joint ventures	**1,060**	(34)
– Associates	**(9,951)**	–
Reclassification adjustment to profit or loss on disposal of joint ventures/subsidiaries	**1,311**	7,531
Other comprehensive income for the year, net of tax	**14,067**	(41,020)
Total comprehensive income for the year	**532,718**	1,276,972
Total comprehensive income attributable to:		
Equity holders of the Company		
– Continuing operations	**450,793**	(61,553)
– Discontinued operations	**72,263**	1,361,709
	523,056	1,300,156
Non-controlling interests		
– Continuing operations	**9,662**	(23,184)
Total comprehensive income for the year	**532,718**	1,276,972

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	**2016** **HK$'000**	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,797,307**	1,687,364
Investment properties		**100,972**	684,309
Land use rights		**54,550**	59,948
Intangible assets		**59,303**	26,976
Interests in joint ventures		**20,193**	29,633
Interests in associates	11	**159,923**	–
Available-for-sale financial assets		**47,436**	47,436
Held-to-maturity financial assets		**523,509**	–
Deferred income tax assets		**36,633**	37,299
Loan and receivables		**–**	142,505
Prepayments	12	**86,354**	55,529
Total non-current assets		**2,886,180**	2,770,999
Current assets			
Programmes, film rights and movies		**744,585**	739,655
Stocks		**19,826**	12,449
Trade and other receivables, prepayments and deposits	12	**1,671,320**	1,866,517
Tax recoverable		**55,451**	19,642
Held-to-maturity financial assets		**775,400**	–
Restricted cash		**6,113**	1,825
Bank deposits maturing after three months		**676,993**	691,387
Cash and cash equivalents		**5,520,962**	2,125,975
Non-current asset held for sale	13(a)	**–**	884,854
Total current assets		**9,470,650**	6,342,304
Total assets		**12,356,830**	9,113,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2016

	Note	**2016** **HK$'000**	2015 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves	16	**3,053**	(22,905)
Retained earnings		**6,397,589**	7,039,291
		7,064,686	7,680,430
Non-controlling interests		**165,405**	155,743
Total equity		**7,230,091**	7,836,173
LIABILITIES			
Non-current liabilities			
Borrowings	14	**3,842,493**	234,850
Deferred income tax liabilities		**346,819**	321,776
Total non-current liabilities		**4,189,312**	556,626
Current liabilities			
Trade and other payables and accruals	15	**920,679**	686,197
Current income tax liabilities		**16,748**	34,307
Total current liabilities		**937,427**	720,504
Total liabilities		**5,126,739**	1,277,130
Total equity and liabilities		**12,356,830**	9,113,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Key events

In March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,343,000,000 (approximately HK$1,020,503,000). A gain on disposal of HK$78,028,000 was taken up in the year. Upon this disposal, the Group does not have any further interest in Liann Yee Group.

In August 2016, the Group completed the disposal of Neihu investment property in Taiwan at a consideration of NT$4,000,000,000 (approximately HK$971,200,000). The Group realised a disposal gain of HK$279,836,000.

In November 2016, the Group acquired further approximately 9.99% interest in TVB Pay Vision Holdings Limited ("TVBPVH"), the holding company of TVB Network Vision Limited ("TVB Network Vision"), to hold a total interest of approximately 99.99%. A settlement loss of HK$70,000,000 (Note 17) was recognised upon the acquisition of the additional interest, and an adjustment of over-provision of impairment loss on amounts due from TVB Network Vision of HK$70,636,000 was taken up during the year, following a review of the fair value of TVBPVH when it became a subsidiary from an associate at the date of acquisition of the additional interest.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values.

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 2016:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Annual improvements to HKFRSs	2012 – 2014 cycle
Amendments to HKAS 1	Disclosure initiative

2. Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. Revenue and other revenues

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, movie income, facility rental income and other service fee income.

Other revenues comprise mainly interest income.

3. Revenue and other revenues (continued)

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

	2016 **HK$'000**	2015 HK$'000
Revenue		
Advertising income, net of agency deductions	**2,619,750**	3,062,946
Licensing income	**919,084**	906,919
Subscription income	**201,015**	125,565
Others	**528,021**	421,944
	4,267,870	4,517,374
Less: withholding tax	**(57,562)**	(62,649)
	4,210,308	4,454,725
Other revenues		
Interest income	**50,260**	54,512
Others	**18,664**	20,818
	68,924	75,330
	4,279,232	4,530,055

4. Segment information

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.

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	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations									
For the year ended 31 December 2016									
Revenue									
External customers	2,661,486	224,250	899,179	168,807	84,423	172,163	-	-	4,210,308
Inter-segment	45,713	5,267	119,997	-	5,938	19,137	-	(196,052)	-
Total	2,707,199	229,517	1,019,176	168,807	90,361	191,300	-	(196,052)	4,210,308
Reportable segment profit before non-recurring income/(expenses)	(71,080)	(29,301)	443,857	(40,237)	2,264	27,721	(32,855)	1,000	301,369
Gain on disposal of investment properties	-	-	-	-	-	279,836	-	-	279,836
Impairment loss on amounts due from an associate	(22,986)	-	-	-	-	-	-	-	(22,986)
Settlement loss (Note 17)	(70,000)	-	-	-	-	-	-	-	(70,000)
Write-back of impairment loss on amounts due from an associate arising from business combination	70,636	-	-	-	-	-	-	-	70,636
Reportable segment profit after non-recurring income/(expenses)	(93,430)	(29,301)	443,857	(40,237)	2,264	307,557	(32,855)	1,000	558,855
Interest income	40,317	155	4,819	63	-	4,906	-	-	50,260
Finance costs	-	-	-	-	-	(959)	(32,855)	-	(33,814)
Depreciation and amortisation	(266,153)	(35,607)	(8,164)	(4,011)	(820)	(23,438)	-	-	(338,193)
Additions to non-current assets*	221,637	226,774	25,897	7,711	84	1,590	-	-	483,693

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

4. Segment information (continued)

	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	Corporate support 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 a property	(87,955)	–	–	–	–	–	–	–	(87,955)
Impairment loss on loan to and amounts due from an associate	(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

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

4. Segment information (continued)

A reconciliation of reportable segment profit is provided as follows:

	2016	2015
	HK$'000	HK$'000
Reportable segment profit	**558,855**	174,349
Share of losses of joint ventures	**(1,791)**	(15,143)
Share of losses of associates	**(4,126)**	(32,766)
Profit before income tax and discontinued operations	**552,938**	126,440

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2016 and 2015.

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

	2016	2015
	HK$'000	HK$'000
Hong Kong	**3,039,285**	3,324,864
Malaysia and Singapore	**527,894**	548,504
Mainland China	**350,837**	270,993
USA and Canada	**130,845**	144,885
Australia	**55,454**	62,425
Vietnam	**48,602**	47,825
Europe	**10,050**	9,200
Other countries	**47,341**	46,029
	4,210,308	4,454,725

5. Other losses, net

	2016 HK$'000	2015 HK$'000
Settlement loss (Note 17)	**(70,000)**	–
Net exchange losses (note)	**(25,995)**	(84,657)
Write-off of movie investment	**(30,000)**	–
	(125,995)	(84,657)

Note:
The amount in 2015 excluded exchange losses on Renminbi fixed term deposits of HK$42,136,000.

6. Finance costs

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**959**	6,441
Interest on 3.625% notes (Note 14)	**31,232**	–
Amortised amount of transaction costs on 3.625% notes	**1,623**	–
	33,814	6,441

7. Profit before income tax

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

	2016 **HK$'000**	2015 HK$'000
Continuing operations		
Net exchange losses (including exchange losses on Renminbi fixed term deposits)	**25,995**	126,793
Gross rental income from investment properties	**(22,431)**	(21,436)
Direct operating expenses arising from investment properties	**3,099**	2,994
Loss on disposals of property, plant and equipment	**490**	1,178
Auditors' remuneration		
– Audit services	**4,644**	4,479
– Non-audit service fees	**4,093**	2,802
Cost of programmes and film rights	**1,758,531**	1,514,527
Cost of movies	**20,956**	–
Cost of other stocks	**25,609**	24,296
Depreciation	**335,032**	278,054
Amortisation of land use rights	**3,046**	3,220
Amortisation intangible assets	**115**	–
Operating leases		
– Equipment and transponders	**15,525**	15,227
– Land and buildings	**37,905**	32,742
Employee benefit expense (excluding directors' emoluments)	**1,550,086**	1,509,976
Discontinued operations		
Cost of programmes, film rights and stocks	**–**	39,324
Depreciation	**–**	18,354
Employee benefit expense (excluding directors' emoluments)	**–**	87,668

8. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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:

	2016	2015
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**42,941**	146,010
– Overseas	**44,492**	18,149
– Over provisions in prior years	**(371)**	(4,091)
Total current income tax	**87,062**	160,068
Deferred income tax:		
– Origination and reversal of temporary differences	**18,177**	(16,116)
	105,239	143,952

9. Earnings/(loss) per share

Earnings/(loss) per share is calculated based on the Group's profit attributable to equity holders of HK$499,945,000 (2015: HK$1,331,223,000) and 438,000,000 shares in issue throughout the years ended 31 December 2016 and 2015. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

	2016	2015
	HK$'000	HK$'000
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	**428,993**	(4,281)
– Discontinued operations	**70,952**	1,335,504
	499,945	1,331,223

10. Dividends

	2016 HK$'000	2015 HK$'000
Interim dividend paid of HK$0.60 (2015: HK$0.60) per ordinary share	**262,800**	262,800
Proposed final dividend of nil (2015: HK$2.00) per ordinary share	**–**	876,000
	262,800	1,138,800

The Directors did not recommend a final dividend for the year ended 31 December 2016.

11. Interests in associates

	2016 HK$'000	2015 HK$'000
Investment costs (note (a) and (b))	**174,000**	736,813
Less: accumulated share of losses	**(4,126)**	(736,813)
Less: accumulated share of other comprehensive income	**(9,951)**	–
	159,923	–
Loan to an associate	**–**	719,212
Interest receivable from an associate	**–**	23,234
	159,923	742,446
Less: share of losses in excess of investment costs	**–**	(151,035)
Less: provision for impairment loss	**–**	(591,411)
	159,923	–

Notes:

(a) During the year, the Group has invested HK$174,000,000 in an associate holding an investment in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in, inter-alia, movie and entertainment related businesses.

(b) As more fully explained in Note 1 in respect of further acquisition of TVBPVH, the associate had become a non wholly-owned subsidiary of the Group and its results and financial position have been consolidated into the Group's financial statements since acquisition.

12. Trade and other receivables, prepayments and deposits

	2016	2015
	HK$'000	HK$'000
Non-current		
Prepayments related to capital expenditure	**86,354**	55,529
Current		
Trade receivables from:		
Joint ventures	**–**	1,655
Associates	**30,743**	615,251
Related parties	**40,679**	47,162
Third parties (note)	**1,278,735**	1,381,240
	1,350,157	2,045,308
Less: provision for impairment loss on receivables from:		
Associates	**(1,443)**	(615,131)
Third parties	**(180,911)**	(104,622)
Amounts due from associates	**–**	131
Other receivables, prepayments and deposits	**503,517**	540,831
	1,671,320	1,866,517
	1,757,674	1,922,046

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.

12. Trade and other receivables, prepayments and deposits (continued)

At 31 December 2016, the ageing of trade receivables based on invoice date including trading balances due from joint ventures, associates and related parties was as follows:

	2016	2015
	HK$'000	HK$'000
Current	**446,273**	478,583
1-2 months	**219,035**	333,377
2-3 months	**194,608**	193,230
3-4 months	**122,788**	179,911
4-5 months	**100,275**	94,878
Over 5 months	**267,178**	765,329
	1,350,157	2,045,308

13. 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

On 6 May 2015, the Group disposed of the 53% equity interest in Liann Yee Group ("First Disposal"), wholly-owned subsidiaries engaged in the Group's Taiwan operations. After the First Disposal, on 10 March 2016, the Group disposed of the remaining 47% equity interest in Liann Yee Group ("Second Disposal"). Accordingly, the carrying value of the remaining 47% interest in Liann Yee Group was reclassified as "Non-current asset held for sale" as at 31 December 2015.

13. **Non-current asset held for sale and discontinued operations** (continued)

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

The results of Liann Yee Group for the year ended 31 December 2015 together with related gain on the First Disposal was presented as discontinued operations in the consolidated income statement as analysed below:

	2015 HK$'000
Revenue	276,081
Cost of sales	(134,684)
Gross profit	141,397
Other revenues	2,890
Selling, distribution and transmission costs	(29,831)
General and administrative expenses	(31,202)
Other losses, net	(468)
Finance costs	(1,896)
Profit before income tax	80,890
Income tax credit	2,262
Profit after income tax	83,152
Share of profit of 47% equity interest as a joint venture from 6 May 2015	35,922
Tax expenses on undistributed profit	(15,938)
Profit for the year from discontinued operations	103,136
Tax on dividend distributed prior to completion of disposal of 53% equity interest	(52,726)
Gain on disposal of subsidiaries	1,395,770
Deferred tax in relation to gain from disposal	(110,676)
	1,335,504
Profit attributable to:	
– Equity holders of the Company	1,335,504

On 10 March 2016, upon the completion of the Second Disposal, a disposal gain of HK$78,028,000 was recorded based on the consideration received of HK$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

14. Borrowings

	2016	2015
	HK$'000	HK$'000
Non-current		
Long-term bank loan, secured	**–**	234,850
Notes (note)	**3,842,493**	–
Total borrowings	**3,842,493**	234,850

Note:
5-year notes due 2021 with principal amount of US$500,000,000 were issued by a subsidiary of the Company on 11 October 2016. The notes bear interest from 11 October 2016 at the rate of 3.625% per annum, payable semi-annually in arrear on 11 April and 11 October in each year commencing on 11 April 2017.

15. Trade and other payables and accruals

	2016	2015
	HK$'000	HK$'000
Trade payables to:		
Joint ventures	**–**	5,123
Associates	**–**	7,205
Related parties	**4,404**	5,243
Third parties	**119,193**	131,995
	123,597	149,566
Receipts in advance, deferred income and customers' deposits	**221,657**	121,221
Provision for employee benefits and other expenses	**207,741**	163,906
Accruals and other payables	**367,684**	251,504
	920,679	686,197

15. Trade and other payables and accruals (continued)

At 31 December 2016, the ageing of trade payables based on invoice date including trading balances due to joint ventures, associates and related parties was as follows:

	2016	2015
	HK$'000	HK$'000
Current	**61,422**	117,911
1-2 months	**36,778**	17,853
2-3 months	**19,376**	7,180
3-4 months	**4,109**	1,718
4-5 months	**333**	1,211
Over 5 months	**1,579**	3,693
	123,597	149,566

16. Other reserves

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 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)
Balance at 1 January 2016	70,000	–	36,666	(129,571)	(22,905)
Transferred from retained earnings	–	–	2,847	–	2,847
Currency translation differences:					
– Group	–	–	–	30,691	30,691
– Joint ventures	–	–	–	1,060	1,060
– Associate	–	–	–	(9,951)	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture	–	–	–	1,311	1,311
Balance at 31 December 2016	**70,000**	**–**	**39,513**	**(106,460)**	**3,053**

17. Business combinations

As more fully explained in Note 1 in respect of the acquisition of TVBPVH, on 9 November 2016, the Group acquired further equity interest of TVBPVH for HK$70,000,000 and obtained the control of it. The reason for the purchase was to enable the Group to use this vehicle as a subsidiary to further its new business.

The Group is required to recognise the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the date when the Group obtains the majority stake and control of the acquired companies. At the date of acquisition, the carrying value of the Group's previously held equity interest in TVBPVH group approximate its fair value. Accordingly, no remeasurement gain or loss is recognised in the consolidated income statement.

The following table summarises the consideration paid for TVBPVH, the fair value of assets acquired, the liabilities assumed and the non-controlling interests at the acquisition date.

	2016 **HK$'000**
Purchase consideration settled in cash	**70,000**
Settlement loss (note)	**(70,000)**
	–
Fair value of net liabilities acquired	**(1,308,484)**
Loan and amounts due from the associate (previously impaired)	**1,379,120**
Less: write-back of impairment loss on amounts due from the associate	**(70,636)**
Non-controlling interests	**–**
Goodwill on acquisition	**–**

Note:
The settlement loss amount represents the value of unfavourable element encountered by the Company from the contractual relationship that existed prior to the acquisition of TVBPVH group with reference to the current market.

17. Business combinations (continued)

	2016
	HK$'000
Net liabilities acquired	
Property, plant and equipment	**12,408**
Trade and other receivables, prepayments and deposits	**30,521**
Restricted cash	**4,500**
Bank deposits maturing after three months	**546**
Cash and cash equivalents	**112,667**
Trade and other payables and accruals	**(93,008)**
Loan and interest receivables due to the Group	**(745,591)**
Amounts due to the Group	**(633,529)**
Amounts due from the Group	**3,002**
Fair value of net liabilities acquired	**(1,308,484)**

18. Event subsequent to the year end

The Company announced that on 24 January 2017 an offer would be made to buy-back, subject to conditions, up to 138,000,000 shares, representing approximately 31.51% of the share capital of the Company, at the price of HK$30.50 per share. The offer, if accepted in full, will result in the Company paying approximately HK$4,209 million to the accepting shareholders. Subsequently, on 13 February 2017, the Company announced that the maximum number of shares to be bought back under the offer will be reduced from 138,000,000 to 120,000,000, representing 27.40% of the share capital of the Company such that at least 25% of the shares will be held by the public at all times upon the close of the revised offer. The offer price was increased from HK$30.50 to HK$35.075 per share to maintain the same aggregate consideration for the offer as the Company originally proposed.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to report the results for the financial year ended 31 December 2016.

PERFORMANCE, CAPITAL, AND DIVIDEND

For the year, the Group reported a profit attributable to equity holders of HK$500 million (2015: HK$1,331 million), which represented a decrease of 62% over last year, and an earnings per share of HK$1.14 (2015: HK$3.04). These results are consistent with the Board announcement on 7 December 2016, which alerted our shareholders to the business trends. We attribute the decline in profit to a weak advertising market in Hong Kong; start-up costs associated with our new businesses; and certain exceptional gains in 2015 which were not repeated.

The low-interest-rate environment during 2016 presented us with the opportunity to issue an unsecured guaranteed notes raising US$500 million at a coupon of 3.625%. This transaction was successfully completed in October 2016. With a much stronger cash position, the Board felt increased confidence to implement new business initiatives and corporate transactions in furtherance of the Company's business.

On 13 February 2017, the Board announced a revised share buy-back proposal to repurchase 120 million shares out of 438 million shares (representing approximately 27.40% of the total number of shares) at the offer price of HK$35.075 per share ("Offer") which requires a cash outlay of HK$4,209 million. This Offer supersedes an earlier proposal announced on 24 January 2017. Having considered other possible investment alternatives, the Board decided that the share buy-back, if implemented after receiving due approval, would enhance shareholders' value as the share buy-back will have an accretive effect in the Group's earnings per share. The Offer is currently subject to the regulatory process and the date for an extraordinary general meeting has not been fixed.

The Board had declared on 24 August 2016 an interim dividend of HK$0.60 per share for the year ended 31 December 2016. However, the Board has resolved to defer the proposal for further dividend to the next Board meeting immediately following the outcome of the Offer for the share buy-back. The Offer will clearly have an impact on the number of Shares in issue and the balance of cash and distributable reserves that the Company has for any such dividend. The Company expects that, barring unforeseeable circumstances, the agenda for the forthcoming annual general meeting of the Company will include matters relating to dividend.

BUSINESS REVIEW

Hong Kong's economic downturn has persisted since the last quarter of 2014, dampening local consumer spending and the retail market. We are experiencing one of the most difficult operating environments in our history. Our traditional business of terrestrial TV broadcasting has been disrupted by a sluggish advertising market, the aftermath of media content globalisation, and the changing viewing habits of our audience. The Board fully supports management to innovate and adapt to changes. Since the beginning of 2016, the Company has strategically extended the distribution of programmes into digital new media both in Hong Kong and overseas. Thanks to the support of our viewers, we have achieved initial successes in garnering over 3 million users of myTV SUPER service in Hong Kong.

Launched in April 2016, myTV SUPER has become the leading Chinese-content OTT platform with 50 TVB and international channels as well as more than 32,000 hours of video-on-demand programmes. In addition, we launched an upgraded version of our online video service TVB Anywhere in late 2016 for the international markets. We believe TVB's rich content library – with in-house productions complemented by selective acquired programmes – has given us a unique advantage in our transformation from a traditional terrestrial TV operator to a truly global OTT player. These OTT platforms underscore TVB's superior ability to monetise content.

We are sparing no less efforts in improving our businesses in Mainland China. A number of new co-production arrangements with key online players were put in place during the year, as a major step toward showcasing our productions in this vast market.

Since 2015, we have invested in two major movie platforms – Flagship Entertainment Group Limited (5.1% effective interest) and Hong Kong-listed Shaw Brothers Holdings Limited (12% effective interest). These platforms naturally extend our production expertise into the movie arena and will help us capture the growth of box office revenue globally. As these investments are still at their early stages, we are continuing to monitor their developments.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has always been a key part of our corporate philosophy. We work hard to protect the environment, ensure a healthy and safe workplace for our staff, and contribute to the betterment of Hong Kong.

Amongst many of our initiatives, TVB, Staff and Artistes Fund for Charities Limited ("Fund"), set up by the Company, has been running independently since 2013. The Fund has to date provided much needed financial support to over 500 local families and nearly 17,000 under-privileged individuals through sponsorships.

BOARD APPOINTMENT

On 17 October 2016, Mr. Li Ruigang was appointed Vice Chairman and Non-executive Director of the Company. I wish to warmly welcome Mr. Li in joining the Company, which will further strengthen the Board's diversity and market expertise. I also wish to thank Mr. Jonathan Milton Nelson, a former Non-executive Director, for his many contributions to the Board during his tenure.

A MAJOR MILESTONE IN 2017

TVB will celebrate its 50^{th} anniversary in November 2017, a major milestone in the history of the Company. We pride ourselves on being a household name with millions of fans among the Chinese communities around the world. We would not have been able to achieve this without the support of our many loyal stakeholders, including over 4,200 staff members and artistes. Let us build on our past achievements to create an even brighter future.

Charles Chan Kwok Keung
Chairman

Hong Kong, 29 March 2017

GROUP CEO REPORT

I wish to report a number of key issues to our shareholders and readers.

PROGRESS DURING YEAR

As noted in the Chairman's Statement, the Group's profit attributable to equity holders declined from HK$1,331 million to HK$500 million during the year, representing a decrease of HK$831 million or 62%. This decline in profit can be explained by four key factors: a decline in revenue of HK$398 million from Hong Kong TV broadcasting; an under-recovery of HK$150 million from broadcast of the Rio 2016 Olympic Games; net start-up costs of HK$44 million for the new myTV SUPER service; and a smaller net exceptional gain in 2016 relating mainly to the disposals of the remaining interest in Taiwan operations and the impairment loss relating to pay TV business, TVB Network Vision Limited, making up to an amount of HK$115 million.

Hong Kong TV broadcasting, the Group's largest business segment, was mainly supported by advertising, which remained sluggish throughout 2016. The softness was the result of lacklustre retail sales, which have continuously been dropping since March 2015, and the rising trend of online and social media advertising. Both factors contributed to a spending decline among our top advertisers. In trying to overcome such difficult market conditions, our sales strategy is to target new advertisers; tailor-make one-stop advertising solutions for customers; and at the same time, revamp our internal processes to facilitate sales and to enhance customers' experience. Back in 2014, the Company commissioned a re-write of the advertising sales systems, with the aim of updating workflow and improving services to agencies and clients. I am pleased to report that the first phase of this new system went live in January 2017, and further changes will be progressively introduced in the coming months.

In Hong Kong, our TV broadcasting segment offers five free-to-air channels (Jade, J2, Pearl, iNews, and J5) to a total of 2,463,000 households. Each channel targets different audience demographics but complements each other on the whole. We recently repositioned J5 as a distinct channel for finance with corresponding changes to its programming.

Broadcast of the Rio 2016 Olympic Games fell short of achieving the anticipated advertising sales targets. In spite of this, we successfully delivered via myTV SUPER six live sports channels and over 2,000 hours of Olympics content on demand, covering all 42 sports events. We believe TVB was the first broadcaster to offer such an extensive coverage of the Olympics Games on an OTT platform.

The Group continued to invest heavily to further enrich our content offering. A number of prime time dramas were aired on Jade to critical acclaim in Hong Kong and in the international markets. Since original content creation is a vital part of our business, we have retained a substantial talent pool in script-writing, production, and performance to support our productions. In 2017, we are expanding our frontier into co-productions with a number of major mainland Chinese platforms, including Tencent and iQiyi, which would further generate new business opportunities in Mainland China. With these new endeavours, we hope to further enhance our brand awareness and raise the bar of our production.

OVERSEAS BUSINESSES

Our distribution businesses in Malaysia and Singapore continued to perform satisfactorily. MEASAT Broadcast Network Systems Sdn Bhd in Malaysia and TVB will further strengthen our partnership over the next four years. The recent production of the *2016 Miss Chinese International Pageant* in Genting, Malaysia, was a clear demonstration of our commitment to enhance the Company's presence there. We are also working with StarHub Cable Vision Ltd. in Singapore to further develop our business and increase joint productions in the coming years.

Back in 2015, the Board decided to exit the Taiwan market to re-direct its resources in Mainland China and Hong Kong. This had resulted in a number of disposals of business operations and property assets. The disposal of the last remaining 47% interest in Liann Yee Production Co., Ltd. and the studio and office building in Neihu District of Taipei City took place in 2016; exceptional items arising from both disposals resulted in a net gain of HK$295 million. The Board is proposing to dispose of the Group's last remaining property asset in Taipei in 2017.

DEVELOPMENT OF DISTRIBUTION PLATFORMS

myTV SUPER made its debut in Hong Kong on 18 April 2016, representing a major step in our foray into distribution through digital new media. The service allows our audience to choose from a huge selection of programmes and watch them at the click of a button – all at a very low subscription. In a little less than a year, myTV SUPER has accumulated a total of over 3 million users, well exceeding our original target of 1.4 million users by November 2017. Our partnerships with two Internet service providers, Hong Kong Broadband and Hutchison Telecommunications, to deliver a dual broadband and content offering have proven to be a huge success. In addition, we have been working to migrate existing pay TV subscribers under TVB Network Vision platform to myTV SUPER, as it submitted an application to surrender its domestic pay TV service licence to the Government of the HKSAR.

As a second step of our digital media strategy, we launched an upgraded version of TVB Anywhere for the overseas markets, which includes an e-commerce platform, in September 2016. We believe the two services combined will offer a comprehensive OTT solution that will prove attractive for subscribers.

To complete digital new media plan, we will be launching during 2017 a new social media platform, Big Big Channel. Preparation work is underway, and the platform will showcase TVB-produced short programmes featuring our artistes who engage with online viewers.

OUTLOOK

The market outlook for 2017 remains uncertain and advertising sales may take time to recover. Yet, with the initial success of our OTT services, the Board is confident that these expanded platforms will support our business beyond the existing limits imposed by our free-to-air TV licence.

Mark Lee Po On
Group Chief Executive Officer

Hong Kong, 29 March 2017

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

The broadcasting business in Hong Kong continues to be our core business, accounting for approximately 63% of the Group's revenue.

TV ADVERTISING

TVB's revenue decreased 13% year-on-year, dragged down by a slump in retail sales and more advertisers opting for online and social media platforms. The decline, however, was not as steep as that of Hong Kong's total ad market (covering all media vehicles including TV), which dropped an estimated 13% to 18% in 2016.

Hong Kong retail sales fell 8.1% year-on-year and have been in continuous decline for 22 months since March 2015 – both the percentage and length of decline were unprecedented in local retail history. This has severely dampened advertising sales, which was also affected by the rising trend of online and social media advertising. Although it is hard to quantify the latter's exact impact, empirical observation suggests that this trend has partially contributed to falling spending in the categories of skincare, food and dining, banking and financial services as well as other discretionary fast-moving consumer products. As a result of our concerted efforts to improve revenues, the decline in our advertising business was at the low end of market estimates.

During the year, we actively pursued advertising dollars from online service providers, including game developers, travel agents, financial services, and property agents. Despite being online operators, these companies found business value in building their brands via television advertising and sponsorships, attesting to the unrivalled ability of TV in enhancing brand power. Another stand-out category was non-governmental organisations (NGO) and social service providers, which outperformed other rising categories in 2016. These organisations found value in our tailor-made sponsored programmes and event coverage.

A second key revenue-generating initiative was to expand our production services for TV commercials and mini-programmes. This service, combined with affordable entry-level airtime packages, helped satisfy smaller advertisers and the shorter-term needs of bigger advertisers. Production services revenue recorded encouraging growth in 2016.

The Olympic airtime packages also contributed revenue to our multiple channels. To boost advertisers' return on investment, we launched ADfun, an interactive app that allows viewers to act instantly upon watching a particular commercial on TVB channels; they can simply point their mobile phones at the TV and ADfun will recognise the commercial and direct them to the advertiser's product website or social media account. In time, this functionality will bring more value to TV advertising as advertisers learn to better engage with the audience.

TERRESTRIAL TV CHANNELS

Hong Kong's free-to-air TV market underwent a sea change over the past year with ATV ceasing operation and the emergence of ViuTV (under PCCW Group) in April 2016.

Facing intensifying competition, TVB worked hard to maintain its leading position through a series of strategic moves. In April 2016, myTV SUPER was launched to provide the audience with a brand-new viewing option combining traditional terrestrial TV channels and other on-demand content. In the free TV space, the station continued to broadcast a variety of high-quality self-produced and acquired programmes on Jade, J2, Pearl, and J5 as well as comprehensive news offerings on iNews. The diverse programming boosted the average audience share[1] of TVB's terrestrial TV channels[2] against the total TV channels in Hong Kong, which include free and pay TV channels, from 82% to 84% during weekday prime time[3] in 2016.

Our appointment as Hong Kong's official broadcaster of the Rio 2016 Olympic Games represented another milestone in bringing major sports events to Hong Kong viewers. We were one of the TV stations around the world providing comprehensive coverage of the Games via multiple platforms including free-to-air channels, OTT, pay television, the Internet, and mobile devices. In the lead-up to the quadrennial event, the station produced lead-in programmes including *Countdown To Rio*, *Hong Kong Heroes*, and *Road to Rio* to early engage the audience.

During the 16-day event, 400 hours of live games were telecast on Jade, J5, and Pearl. Six special Olympic channels were added to air more than 2,000 hours of live games; a playback function and "Olympic Zone" were available on myTV SUPER to help audience easier in overcoming time lag and reviewing events of their choice. To help viewers keep up with Hong Kong athletes' performance in the Games, catch up videos covering events that they competed were specially edited into a unit titled "Hong Kong Athletes" in Olympic Zone. TVB also rearranged its prime time programme line-up on Jade and J5 to offer up-to-date game results, the Olympics medal table, and interviews with athletes to the audience. The most popular events included badminton, diving, cycling, and women volleyball, with the gold medal match for Men's Singles Badminton attracting the highest viewership during prime time.

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1 Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, all pay TV channels, and other TV channels capable of being received in Hong Kong, such as satellite channels.

2 TVB's terrestrial TV channels comprise Jade, J2, iNews, Pearl, and J5.

3 Weekday prime time for TVB's terrestrial TV channels runs from 7 p.m. to 12 a.m., Mondays to Fridays.

HONG KONG DIGITAL NEW MEDIA BUSINESS

2016 was a banner year for TVB's online operations. Having achieved phenomenal success since its launch on 18 April 2016, myTV SUPER is on its way to becoming Hong Kong's largest and best OTT online video platform for long-form video content.

myTV SUPER has reached more than 3 million users in just less than one year from official launch in April 2016. Independent market research also confirms that viewers agree it provides the best picture quality and its streaming performance is well above industry standards. Other improvements will be made in 2017 to further enhance user experience in terms of navigation and content discovery.

The service excels because of the Company's focus on four areas: content, distribution, technology, and promotion. Strong content is a great feature of myTV SUPER, which carries 19 TVB channels (including five free-to-air channels in higher-than-terrestrial broadcast quality), over 30 international channels, and more than 32,000 hours of video-on-demand content from TVB's archive and other content providers. In August 2016, myTV SUPER made history by bringing six live Olympic channels and more than 2,000 hours of VOD Olympic content (including over 100 hours in full 4K) to Hong Kong viewers for the first time ever.

The rapid uptake in subscribers is testament to the highly effective hard bundle arrangement the Company successfully contracted with Hong Kong Broadband and Hutchison Telecommunications. The smooth migration of free tier-users from myTV mobile service to myTV SUPER also contributed to the service's success.

myTV SUPER was built on well-tested platform architecture, cutting-edge video server technology, and a sophisticated content distribution network that will become Hong Kong's biggest dedicated Internet video delivery platform by the end of 2017. Its successful roll-out was also due to TVB's ability to leverage its own television channels in marketing the service.

In addition to launching myTV SUPER, efforts were also made during the year to enhance TVB's existing news and finance apps as well as its TV interactive app, TVB Fun.

The upfront investment in capital and operations required to launch myTV SUPER has resulted in a net start-up costs of approximately HK$44 million in 2016. We view the loss incurred as minimal compared to the results achieved.

OTHER HONG KONG OPERATIONS

INVESTMENTS IN MOVIE BUSINESSES

Shaw Brothers Holdings

TVB has partnered with China Media Capital ("CMC") to take up a 29.94% equity interest in Shaw Brothers Holdings (stock code: 00953), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and is principally engaged in, inter-alia, movie and entertainment-related businesses. Several new movie titles are being produced under this platform.

Flagship Entertainment Group

Together with CMC, TVB has co-invested in Flagship Entertainment Group with an effective 5.1% interest. Launched in March 2016, Flagship Entertainment Group is a Hong Kong-based movie powerhouse with Warner Brothers Entertainment and CMC among its shareholders. The company is preparing several new movie titles.

Shaw Brothers Pictures

Partnered with other film companies, Shaw Brothers Pictures, a wholly-owned subsidiary of the Company, released *Line Walker*, a spin-off from a hit TVB drama serial, in August 2016. In future, TVB will undertake further movie production under the Shaw Brothers Holdings platform.

MUSIC ENTERTAINMENT

In 2016, the Voice Entertainment Group Limited, a wholly-owned subsidiary of the Company, expanded its operation to include royalty collection in Malaysia and digital licensing in Singapore. The Group engages in artistes' sound recordings, music productions, music copyrights management, music publishing, and artistes' management.

Although the Group's catalogue mainly comprises Cantonese sound recordings, it has nonetheless attracted much interest in Mainland China; hence, the Group will commence digital licensing to China's largest digital music platform by early 2017.

PUBLICATION

Magazines have been the hardest-hit media as a result of prolonged declines in retail sales. Advertising revenue for the sector was estimated to have dropped 30% to 40% in Hong Kong.

The Group was able to maintain the revenue by expanding services to include event production and other activities. Higher direct costs have led to a decline in profit in 2016, but stringent measures were implemented to control costs.

HONG KONG PAY TV PLATFORM

On 10 January 2017, TVB Network Vision informed the Government of the HKSAR and the Communications Authority of its decision to surrender its domestic pay TV programme service licence. The decision reflected the problems of rampant online piracy, a proliferation of illegal OTT services in recent years and Hong Kong's economic downturn.

TVB Network Vision subscribers are being migrated to myTV SUPER.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution business, comprising the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, accounted for 21% of the Group's revenue.

Uncertain economic prospects and online piracy seriously affected the business environment in our core markets including Malaysia and Singapore. Our licensees MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") and StarHub Cable Vision Ltd. ("StarHub") both recorded a drop in subscription revenue; as a result, they have become more cautious in content acquisition spending.

In Malaysia, the programme supply agreement with MEASAT on its Astro platforms has been renewed for four years till 2020. The new contract enables us to compile a TVB channel package named "Jade Pack" to cater to the Malaysian market. In addition, TVB would develop a new media platform as a convenient means to attract more subscribers and business opportunities. To strengthen our position in the Singapore market, additional resources have been deployed in marketing our channels and promoting locally produced contents. The audience and advertisers in our major markets have responded favourably to several local productions. As this content strategy proves to be effective, more local programmes will be produced in the coming year.

The rampant influx of illegal TV boxes has also placed a strain on the licensing business in non-traditional markets like Vietnam. Hoping to ride on the rapid economic growth of many Indochina countries, we have been proactively developing new businesses with leading operators in Vietnam, Cambodia, and Myanmar. In Vietnam, we significantly enhanced TVB's exposure and advertising revenue in the fast-growing video-on-demand ("VOD") market through a partnership with Saigontourist Cable Television Company Limited. We have also been in discussion with other local new media operators, including Vietnam's largest local telecom company, to carry our programmes on their platforms. In Cambodia, we have a fixed timeslot on PNN, a local terrestrial free TV broadcaster, and plan to partner with another new media operator; this will further increase the exposure of TVB programmes in the market.

Thanks to the booming new media business, our China operation recorded a revenue increase of around 29% from HK$271 million to HK$351 million during the year. Our licensing business in Mainland China is carried under a joint venture company上海翡翠東方傳播有限公司("TVBC"). The stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television in the PRC over imported programme titles, combined with a delay in improving our licensing arrangement in the Guangdong Province, have restricted TVBC's ability to maximise revenue from related sectors. However, the settlement of short-term problems with a main online operator during the year has cleared the path for TVB programmes' entry into this platform and brought in additional revenue for TVBC during the year. With the affluent flow of hot money into the new media sector, TVBC will spend more resources on exploring new media business in the coming year.

OVERSEAS OPERATIONS – OTT AND PAY TV

OTT

To cater to the audience's changing viewing patterns, an upgraded OTT service TVB Anywhere was launched in September 2016. It provides TV channels and VODs in multiple languages to serve audiences around the world, except a small number of territories in which the service has been geo-blocked due to contractual constraints. Built on a highly integrated content platform, the service allows viewers to select and watch a wide range of TVB and acquired programmes anywhere, anytime.

TVB Anywhere adopts a low-cost operation model by delivering programmes over the Internet instead of via the more costly conventional satellite, cable or terrestrial television networks; it uses TVB's voluminous archived and current productions as the backbone of its content offering, thereby reducing content acquisition fees. As a result, TVB Anywhere could be offered at a low service fee, which would hopefully help combat the illicit OTT services in the market.

TVB Anywhere's major revenue sources include basic service fees, additional subscription fees for premium channels or VODs, and advertising income. Viewers can subscribe through local distributors in various countries and online via the official website: www.tvbanywhere.com. It is our plan to replace the conventional pay TV service through satellite or cable transmission in Europe, Australia and North America (USA) with this OTT service in the overseas markets as far as practicable.

Europe

The conventional satellite pay TV service has been completely replaced with our OTT service TVB Anywhere. Both subscriber numbers and financial performance in the European markets have continued to improve over the past year following the introduction of TVB Anywhere.

Australia

We have been actively introducing multi-media elements into different segments of our business, including traditional television, OTT service, magazine, events organization and sponsorships as well as mobile apps; these have boosted advertising revenue in 2016 despite the economic downturn. The upgraded OTT service TVB Anywhere was launched in the Australian market in September 2016 and this has led to a sharp increase in subscriber numbers, which will further improve advertising income.

North America (USA)

Having released TVB content on various digital platforms in the US market since 2015, we began seeing encouraging results in both advertising revenue and viewership over the past year.

Following a pronounced judgment by a US court against a notorious illegal OTT syndication last year, requesting local Internet service providers to disconnect illegal signals has become a priority. Continuous anti-piracy actions have been taken in conjunction with local business partners against other illegal TV box distributors and retailers.

CHANNEL OPERATIONS

Total revenue dropped by 14% to HK$90 million during the year due to an economic downturn and fierce competition in the region. To increase viewership and attract advertisers' spending, we devoted more resources and worked with our clients in Malaysia and Singapore to produce a series of local programmes. Various shows including *Wellness On The Go 4 – Going Green and Sustainable Living, Auspicious Festivals, TVB Star Awards Malaysia 2016, Eating well with Madam Wong In Singapore,* and *Neighborhood Gourmet 3* were well received by the audience.

Going forward, we will continue to locally produce more programmes in the two markets. Scheduled for release in Singapore in the first quarter of 2017 was *Chef Minor – Singapore*, which was produced with the support of StarHub and, more importantly, advertisers sponsoring the programme.

Satellite migration for the TVB8 and Xing He channels has been completed, resulting in significant cost savings. We have re-invested such savings to further expand our viewership, particularly among the younger generation, in different new media platforms and in Mainland China.

COMBATING PIRACY

Governments and industries around the world have been cooperating more closely to crack down on illegal set-top TV boxes.

The UK Government convened an enforcement seminar in May 2016 to collect industry feedback on how legislation could be improved to tackle the problem. In September 2016, representatives from the international law enforcement community and the industries held two forums in London to explore effective measures against illicit TV boxes.

Similar actions are being taken in the US, including the formation of an industry working group comprising major content providers against illegal streaming on IPTV, including set-top boxes. Following its first successful civil suit against "TV Pad" in the United States, TVB has started a new suit against the operator of another TV box "H.TV" for copyright infringement.

In June 2016, a Canadian Federal Court granted an interlocutory injunction order against several retailers of illegal set-top boxes following a suit jointly filed by a number of major local pay TV operators. TVB has issued warning letters to the retailers selling illicit set-top boxes carrying TVB content and will consider taking further legal actions against those who do not halt such activities.

Efforts to lobby the Australian government to strengthen its copyright legislation against illegal piracy will resume when the new administration is ready to work on the matter.

In Mainland China, the online piracy problem has abated to some extent following successful government crackdown on illegal IPTV streaming unlicensed foreign programmes including TVB's.

FINANCIAL REVIEW

OVERVIEW

Continuing operations

For the year ended 31 December 2016, the Group's continuing operations comprised Hong Kong TV broadcasting, Hong Kong digital new media, programme licensing and distribution, overseas pay TV operations, channel operations and other activities, including movie, music entertainment and publications.

The Group recorded a revenue under continuing operations of HK$4,210 million (2015: HK$4,455 million), a decrease of 5%. Cost of sales increased from HK$2,009 million to HK$2,299 million, an increase of 14%. As a result, gross profit decreased from HK$2,446 million to HK$1,911 million, a decrease of 22%. Gross profit percentage stood at 45% (2015: 55%).

Income from Hong Kong TV broadcasting, comprising mainly advertising revenue from the terrestrial TV channels, decreased because of the weak advertising market in Hong Kong prevailing throughout the year. However, licencing revenue from Malaysia and Singapore, remained steady. After the final settlement of the dispute with a major online operator in Mainland China, a licence revenue of HK$126 million was agreed and booked during the year.

Cost of sales increased from HK$2,009 million to HK$2,299 million, an increase of 14%. Included in the cost of sales were the cost of programmes and film rights amounted to HK$1,759 million (2015: HK$1,515 million), an increase of 16% which was mainly contributed by the licence rights and the production costs for the broadcast of Rio 2016 Olympic Games, which was a non-recurring event, and the extended broadcast of drama on Jade into the weekends' prime time since May 2015.

Selling, distribution and transmission costs amounted to HK$639 million (2015: HK$577 million), an increase of 11%. The increase was attributed to an increase in costs due to the launch of myTV SUPER service in April 2016.

General and administrative expenses amounted to HK$949 million (2015: HK$853 million), an increase of 11% which was mainly due to the launch of myTV SUPER service during the year and an additional provision for impairment loss on trade receivables.

In 2016 the Group acquired further approximately 9.99% interest in TVBPVH, the holding company of TVB Network Vision, to hold a total interest of approximately 99.99%. The reason for the purchase was to enable the Group to use this vehicle as a subsidiary to further its new business. A settlement loss of HK$70 million arising from this acquisition was included in the other losses. In addition to the settlement loss, the Group incurred exchange losses (mainly related to the re-translation of various foreign currencies such as Renminbi and Malaysian Ringgit) and a write-off of a movie investment totalling HK$56 million.

In August 2016, the Group completed the disposal of the property in Neihu, Taipei at a consideration of NT$4,000 million (approximately HK$971 million). The Group realised a disposal gain of HK$280 million before provision for deferred tax liabilities in relation to the withholding tax on the distributable profits attributable to the disposal in the sum of approximately HK$56 million.

Adjustment of an over-provision of impairment loss on amounts due from TVB Network Vision of HK$71 million was taken up during the year following a review of the fair value of TVBPVH when it became a subsidiary from an associate at the date of acquisition of the additional interest.

Profit before income tax for the year amounted to HK$553 million (2015: HK$126 million), an increase of 337% over 2015.

Due to a smaller assessable profit from Hong Kong TV broadcasting this year, a lower income tax of HK$105 million (2015: HK$144 million), representing a decrease of 27%, was booked. Whilst the profits tax rate for Hong Kong remains at 16.5%, the Group's major subsidiaries operate in the countries whose effective rates vary from 0% to 40%.

Overall, the Group's profit attributable to equity holders for continuing operations for the year amounted to HK$429 million (2015: loss of HK$4 million).

Discontinued operations

On 10 March 2016, the Group completed the disposal of its remaining 47% equity interest in Liann Yee Group for a cash consideration of NT$4,343 million (approximately HK$1,021 million). A gain on disposal of HK$78 million was taken up in the year. In view of a plan to repatriate the proceeds to Hong Kong in the form of dividend upon completion, an additional deferred tax provision of HK$7 million had been made in 2016. Upon this disposal, the Group does not have any further interest in the Liann Yee Group. Details of this disposal were set out in Note 13.

Exceptional items

During the year, the Group recorded a net exceptional gain of HK$295 million which comprised of (i) a net gain on the disposal of 47% interest in Liann Yee Group amounting to HK$71 million as detailed in the "discontinued operations" section above; and (ii) a net gain after tax from the disposal of Neihu property in Taiwan of HK$224 million. In 2015, the Group recorded a net exceptional gain of HK$410 million which comprised of (i) a net gain of HK$1,232 million (after deduction of related taxes of HK$164 million) from the disposal of 53% interest in Liann Yee Group; (ii) an impairment loss on loan to and amounts due from TVB Network Vision of HK$695 million; (iii) an impairment loss on a property of HK$88 million; and (iv) professional fees totalling HK$39 million incurred in relation to an aborted corporate transaction. In comparing the net exceptional gains for the two years, the smaller net exceptional gain of HK$115 million in 2016 had contributed to the overall decrease in profit attributable to equity holders.

Earnings per share

Overall, the Group's profit attributable to equity holders for continuing operations and discontinued operations for the year amounted to HK$500 million (2015: HK$1,331 million), a decrease of 62%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK$1.14 (2015: HK$3.04).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting which comprised advertising revenue from the Group's free TV channels and the pay TV channels declined from HK$3,105 million to HK$2,707 million, a decrease of 13%, due to the sluggish advertising market. The above decrease in revenue of HK$398 million and the additional costs for the broadcast of Rio 2016 Olympic Games and extended broadcast of drama on Jade into the weekends mainly explained the change from the segment profit before non-recurring items of HK$551 million to a segment loss of HK$71 million.

Revenue from Hong Kong digital new media which comprised subscription income from myTV SUPER and advertising revenue from mobile devices, website portals and OTT platform, increased from HK$170 million to HK$230 million, an increase of 35%, due to the launch of myTV SUPER in April. This segment changed from a segment profit of HK$41 million to a segment loss of HK$29 million because of the net start-up costs of myTV SUPER.

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, increased from HK$951 million to HK$1,019 million, an increase of 7%. The increase in revenue was mainly attributable to the recoupment of licensing income of HK$126 million after settlement of the dispute with a major online operator in Mainland China which was partly offset by the lower licence fee receivable from MEASAT in Malaysia, the depreciation of the Malaysian Ringgit against Hong Kong dollars, and the lower telecast licensing income in Mainland China. The licensing income from Singapore remained relatively steady. Higher programme costs were incurred during the year. As a result, this segment recorded a profit of HK$444 million (2015: HK$410 million), an increase of 8%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and Europe, and TVB Anywhere introduced in September 2016, decreased from HK$186 million to HK$169 million, a decrease of 9%. The decrease in revenue was mainly due to the adverse impact on subscription revenue caused by the proliferation of pirated TV contents overseas. Start-up costs for the OTT platform were incurred, but such unfavourable variances were partly offset by some savings in programme costs. As a result, this segment recorded a loss of HK$40 million (2015: a loss of HK$31 million).

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK$105 million to HK$90 million, a decrease of 14%. The segmental profit decreased from HK$17 million to HK$2 million, a decrease of 87%, which was mainly caused by lower advertising revenue from Malaysia market resulting from the stagnant economy.

Revenue from other activities which comprised revenue from magazine publishing, production of musical works and movie recorded an increase from HK$129 million to HK$191 million, an increase of 48%. This segment recorded a profit before a non-recuring item of HK$28 million (2015: HK$11 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2016. Total equity stood at HK$7,230 million (2015: HK$7,836 million), a decrease of 8%. There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

During the year, the Group had fully repaid its bank loans. In October this year, the Group issued US$500 million 3.625% five-year notes due 2021 ("Notes") which is guaranteed by the Company. The Notes are listed on the Stock Exchange. At 31 December 2016, the gearing ratio, expressed as a ratio of gross debts to total equity, was 53.1% (2015: 3.0%).

At 31 December 2016, the Group had unpledged bank and cash balances of HK$6,198 million (2015: HK$2,817 million), an increase of 120%, and certificates of deposit amounting to HK$775 million. The increase was mainly due to the fund received from the issuance of the Notes and the receipt of sale proceeds from disposal of 47% interest in Liann Yee Group and the property in Neihu, Taipei. Out of the unpledged bank and cash balances, 11% were in Hong Kong dollars, 65% in US dollars, 19% in New Taiwan dollars and 5% in Renminbi. About 29% of the unpledged bank and cash balances (approximately HK$1,818 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations was placed as time deposits and certificates of deposit.

During the year, the Group had invested in an associate holding a 29.94% interest in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in movie and entertainment related business.

Trade receivables from third parties amounted to HK$1,279 million (2015: HK$1,381 million) decreased by 7% over the last year end due to the decrease in advertising income from Hong Kong. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts. Due to the prepayment of purchases of OTT set-top boxes for myTV SUPER service near the year end date, prepayment relating to capital expenditure as at 31 December 2016 increased when compared with 31 December 2015.

Trade and other payables and accruals increased from HK$686 million to HK$921 million mainly due to the accrual of interest of Notes and provision for taxes in relation to the disposals of equity interest in Liann Yee Group and the Neihu property.

At 31 December 2016, the Group's net current assets amounted to HK$8,533 million (2015: HK$5,622 million), an increase of 52%. At 31 December 2016, the current ratio, expressed as the ratio of current assets to current liabilities, was 10.1 (2015: 8.8).

At 31 December 2016, bank deposits of HK$6 million (2015: HK$2 million) were pledged to secure banking facilities granted to certain subsidiaries of the Group.

At the year end, the Group had capital commitments totalling HK$300 million (2015: HK$166 million), an increase of 81% mainly to cater for the business needs of myTV SUPER and Hong Kong TV broadcasting business.

The Company announced that on 24 January 2017 an offer would be made to buy-back, subject to conditions, up to 138,000,000 shares, representing approximately 31.51% of the share capital of the Company, at the price of HK$30.50 per share. The offer, if accepted in full, will result in the Company paying approximately HK$4,209 million to the accepting shareholders. Subsequently, on 13 February 2017, the Company announced that the maximum number of shares to be bought back under the offer will be reduced from 138,000,000 to 120,000,000, representing 27.40% of the share capital of the Company such that at least 25% of the shares will be held by the public at all times upon the close of the revised offer. The offer price was increased from HK$30.50 to HK$35.075 per share to maintain the same aggregate consideration for the offer as the Company originally proposed. As at the date of this announcement, the Offer has not yet closed.

FINANCIAL GUARANTEE

At 31 December 2016, there was guarantee given to a bank amounting to HK$8 million (2015: HK$7 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures mainly arise from trade receipts from overseas customers.

The Group is also exposed to currency fluctuation on translation of the accounts of overseas subsidiaries, on the repatriation of earnings and loans, and the Notes. In order to mitigate the potential impact of currency movement, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures, where necessary. No forward exchange or hedging contract was entered into by the Group during the year.

HUMAN RESOURCES

At the year end, the Group employed, including contract artistes and staff in overseas subsidiaries but excluding Directors and freelance workers, a total of 4,249 (2015: 4,221) full-time employees.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. About 3% of the Group's manpower was employed in overseas subsidiaries, and was paid on scales and systems relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as incentive for better performance. For the year, all qualified personnel received discretionary bonuses averaging one month's basic salaries. The Group does not operate any employee share option scheme.

From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives.

To sustain the long term steady supply of human resources for production, the Group has implemented a number of new initiatives during the year targeting training and development of internal staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within our business.

TREASURY MANAGEMENT

Under a set of guidelines laid down by the Executive Committee, the Company maintains a portfolio of fixed income securities which are held to maturity for overall enhancement of the interest yield from the Company's fund. Such fixed income securities are selected from bonds issued by listed companies or state-owned companies, with or without credit ratings, taking into account the business sector; the coupon rate and the yield-to-maturity; the currency; and the maturity dates. The Executive Committee reviews the portfolio at each meeting to ensure that the guidelines are adhered to, and the investment objectives are fulfilled.

DIVIDEND

The Board had declared on 24 August 2016 an interim dividend of HK$0.60 per share for the year ended 31 December 2016. However, the Board has resolved to defer the proposal for further dividend to the next Board meeting immediately following the outcome of the Offer for the share buy-back. The Offer will clearly have an impact on the number of Shares in issue and the balance of cash and distributable reserves that the Company has for any such dividend. The Company expects that, barring unforeseeable circumstances, the agenda for the forthcoming annual general meeting of the Company will include matters relating to dividend.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and a responsible manner serves its long-term interests and those of the shareholders.

The Company has adopted its own code on corporate governance, the TVB Corporate Governance Code ("TVB CG Code"). The TVB CG Code summarises the corporate governance practices adopted by the Board. These practices are updated on a regular basis, and are in line with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") (including all code provisions and certain recommended best practices in the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules).

The Board monitors the Company's adherence to the corporate governance practices.

The Company was in compliance with the code provisions of the CG Code throughout 2016.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance. Specifically, resigned Directors and alternate Directors, namely Mr. Harvey Chang Hsiao Wei, Mr. Jonathan Milton Nelson and Ms. Jessica Huang Pouleur, have confirmed that they had complied with the Model Code from 1 January 2016 to their respective dates of resignation during 2016. A new Non-executive Director appointed during the year, Mr. Li Ruigang, has confirmed that he had complied with the Model Code from his date of appointment to 31 December 2016.

AUDIT COMMITTEE

The Audit Committee has four members, namely Dr. William Lo Wing Yan (Chairman), Mr. Anthony Lee Hsien Pin, Dr. Raymond Or Ching Fai and Professor Caroline Wang Chia-Ling, the majority of whom are Independent Non-executive Directors of the Company, and is chaired by an Independent Non-executive Director. Most of the members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise.

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the annual consolidated financial statements for the year ended 31 December 2016, before such statements were presented to the Board for approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

The Company had not redeemed, and neither had the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.corporate.tvb.com and the designated issuer website of the Stock Exchange at www.hkexnews.hk. The Company's 2016 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites.

ANNUAL GENERAL MEETING

The Company will announce the date of its 2017 annual general meeting by serving a notice to its shareholders in due course.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 29 March 2017

As at the date of this announcement, the Board of the Company comprises:

Chairman and Non-executive Director
Dr. Charles CHAN Kwok Keung

Vice Chairman and Non-executive Director
LI Ruigang

Executive Directors
Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager

Non-executive Directors
Mona FONG
Anthony LEE Hsien Pin
CHEN Wen Chi
Thomas HUI To

Independent Non-executive Directors
Dr. Raymond OR Ching Fai SBS, JP
Dr. William LO Wing Yan JP
Professor Caroline WANG Chia-Ling
Dr. Allan ZEMAN GBM, GBS, JP