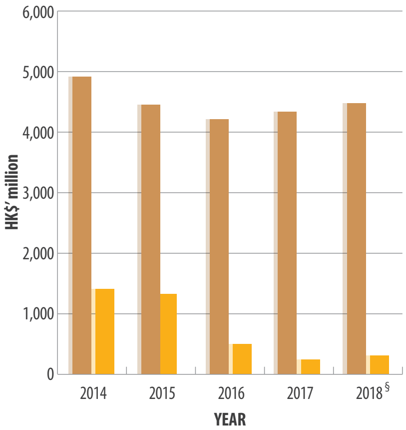
TVB ANNUAL REPORT

Television Broadcasts Limited
電視廣播有限公司
Stock Code : 00511

FINANCIAL HIGHLIGHTS

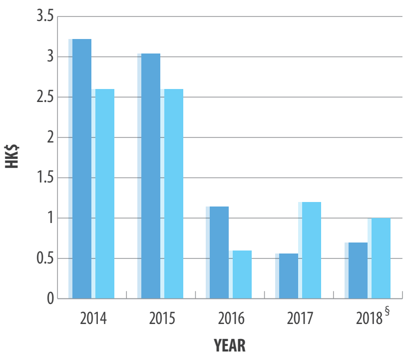
Revenue and Profit Attributable to Equity Holders of the Company

Revenue (Continuing operations)
Profit Attributable to Equity Holders of the Company



Earnings & Dividends# Per Share

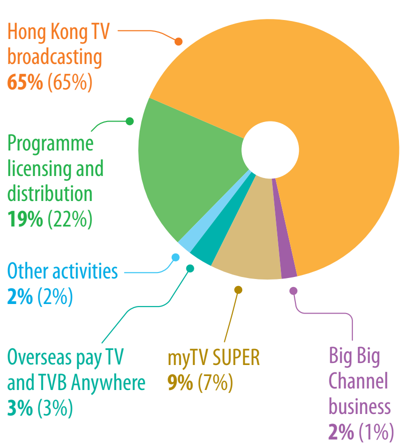
Earnings per Share
Dividends# per Share



excluding special dividend

2018 Revenue from External Customers by Operating Segment

% relating to 2017 are shown in brackets



	2018	2017	Change
Performance			
(Loss)/earnings per share	**HK$(0.45)**	HK$0.56	N/A
Adjusted earnings per share§	**HK$0.69**	HK$0.56	24%
Dividends per share			
- 2017 first interim dividend	**–**	HK$0.60	
- 2018 interim dividend/ 2017 second interim dividend	**HK$0.30**	HK$0.30	
- Final dividend	**HK$0.70**	HK$0.30	
	HK$1.00	HK$1.20	
- 2017 special dividend	**–**	HK$0.70	
	HK$'mil	HK$'mil	
Revenue from external customers			
- Hong Kong TV broadcasting	**2,923**	2,818	4%
- myTV SUPER	**402**	280	43%
- Big Big Channel business	**87**	44	98%
- Programme licensing and distribution	**870**	955	-9%
- Overseas pay TV and TVB Anywhere	**140**	151	-7%
- Other activities	**55**	88	-38%
	4,477	4,336	3%
	HK$'mil	HK$'mil	
Segment profit/(loss)*			
- Hong Kong TV broadcasting	**173**	165	5%
- myTV SUPER	**16**	(85)	N/A
- Big Big Channel business	**(19)**	(11)	78%
- Programme licensing and distribution	**414**	504	-18%
- Overseas pay TV and TVB Anywhere	**(16)**	(53)	-71%
- Other activities	**(17)**	6	N/A
- Corporate support#	**(129)**	(152)	-16%
	422	374	13%
Total expenses△	**4,062**	3,946	3%
(Loss)/profit attributable to equity holders※	**(199)**	243	N/A
Adjusted profit attributable to equity holders§	**301**	243	24%
	31 December 2018 HK$'mil	31 December 2017 HK$'mil	
Total assets	**10,256**	12,016	-15%
Total liabilities	**3,949**	4,859	-19%
Total equity	**6,307**	7,157	-12%
Number of issued shares	**438,000,000**	438,000,000	–
Ratios			
Current ratio	**5.9**	9.2	
Gearing	**29.1%**	41.7%	

* excluding non-recurring items
# comprised mainly of interest costs of TVB Notes
△ represented the total of cost of sales, selling, distribution and transmission costs and general and administrative expenses
§ excluding impairment charge/loss against SMI Bonds
※ after making impairment charge/loss of HK$500 million

CONTENTS

CORPORATE INFORMATION

CHAIRMAN EMERITUS

The late Sir Run Run SHAW GBM

BOARD OF DIRECTORS

CHAIRMAN

Dr. Charles CHAN Kwok Keung

VICE CHAIRMAN

LI Ruigang

EXECUTIVE DIRECTORS

Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager
Thomas HUI To

NON-EXECUTIVE DIRECTORS

Dr. Charles CHAN Kwok Keung
LI Ruigang
Anthony LEE Hsien Pin
CHEN Wen Chi

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

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Charles CHAN Kwok Keung Chairman
Mark LEE Po On
CHEONG Shin Keong
Thomas HUI To
CHEN Wen Chi

AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman
Anthony LEE Hsien Pin
Dr. Raymond OR Ching Fai
Professor Caroline WANG Chia-Ling

REMUNERATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman
Dr. Charles CHAN Kwok Keung
Dr. William LO Wing Yan

NOMINATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman
Anthony LEE Hsien Pin
Dr. William LO Wing Yan
Dr. Allan ZEMAN

RISK COMMITTEE

Dr. William LO Wing Yan Chairman
Mark LEE Po On
CHEONG Shin Keong
Dr. Raymond OR Ching Fai
Professor Caroline WANG Chia-Ling

INVESTMENT COMMITTEE

Dr. Raymond OR Ching Fai Chairman
Anthony LEE Hsien Pin
Thomas Hui To
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager
Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)
Felix TO Chi Hak Deputy General Manager (Programme and Production)
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

COMPANY SECRETARY

Adrian MAK Yau Kee
Email: companysecretary@tvb.com.hk
Fax: +852 2358 1337

REGISTERED OFFICE

TVB City, 77 Chun Choi Street
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Central, Hong Kong

LEGAL ADVISER
Freshfields Bruckhaus Deringer
55/F, One Island East,
Taikoo Place Quarry Bay,
Hong Kong

Stephenson Harwood
18/F, United Centre
95 Queensway, Hong Kong

PRINCIPAL BANKERS
Shanghai Commercial Bank Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
UBS AG

SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

STOCK CODES
TVB Ordinary Shares	
The Stock Exchange of Hong Kong:	00511
Reuters:	0511.HK
Bloomberg:	511 HK
TVB ADR Level 1 Programme:	TVBCY
TVB Finance Guaranteed Notes	
The Stock Exchange of Hong Kong:	04577
ISIN:	XS1495978329
Common Code:	149597832

AMERICAN DEPOSITARY RECEIPTS
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Email: ir@tvb.com.hk
Fax: +852 2358 1337

WEBSITE
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CORPORATE CALENDAR

FOR TELEVISION BROADCASTS LIMITED SHAREHOLDERS

FIRST BOOK CLOSE PERIOD
24 April 2019 to 22 May 2019,
both days inclusive

ANNUAL GENERAL MEETING
22 May 2019

EX-DIVIDEND DATE OF 2018 FINAL DIVIDEND
24 May 2019

SECOND BOOK CLOSE PERIOD
28 May 2019 to 30 May 2019,
both days inclusive

PAYMENT OF 2018 FINAL DIVIDEND*
11 June 2019

* Subject to Shareholders' approval at 2019 annual general meeting of the Company

FOR HOLDERS OF US$500,000,000 AGGREGATE PRINCIPAL AMOUNT OF 3.625 PERCENT GUARANTEED NOTES DUE 2021 ISSUED BY TVB FINANCE LIMITED

INTEREST PAYMENT FOR 2019
1st interest payment: 11 April 2019
2nd interest payment: 11 October 2019

MATURITY DATE
11 October 2021

MILESTONES

1967

Obtained a Broadcasting Licence in September and commenced free-to-air broadcasting on 19 November as the first wireless commercial television in Hong Kong. Headquartered on Broadcast Drive, Kowloon

1971

Launched the first color production *Enjoy Yourself Tonight (EYT)*

1973

Organised the first *Miss Hong Kong Pageant* which has since become an iconic annual event

1976

Began programme licensing, video rental business and operation of cable and satellite television channels in overseas markets

1980

Sir Run Run Shaw, G.B.M., one of the founders of the Group, became Chairman of the Board of Directors

1981

Adopted a programming strategy of broadcasting 2.5 hours of drama serials on Jade during weekday prime time to build viewership momentum and hype its drama serials

1984

HK-TVB was listed on HKSE

Commenced cable TV services in Los Angeles for subscribers in the USA

1988

Television Broadcasts (TVB) became the listed parent company of the Group after a group reorganisation

1993

Launched TVBS Channel (TVBS), its first satellite TV service in Taiwan

1994

Launched The Chinese Channel (TCC), a London-based satellite TV service for the European markets

1997

Launched the Company's first website tvb.com carrying information on the station's programmes and artistes

1998

Launched TVBJ, its first satellite TV service in Australia

2003

Moved headquarters to TVB City in Tseung Kwan O Industrial Estate with a total building area of 110,000 square meters

2004

Commenced a pay TV business in Hong Kong under the name of exTV, a joint venture of TVB and Intelsat

Granted Guangdong Landing Rights for distribution of Jade and Pearl channels in the Guangdong Province

2007

Launched digital terrestrial television broadcasting in Hong Kong from 31 December which expanded the number of channels from two (Jade and Pearl) to the present five channels

2008

Adopted high definition broadcasting and 5.1 Dolby Surround Sound on HD Jade channel

2011

Young Lion Holdings, acquired a 26% shareholding in TVB from Shaw Brothers (Hong Kong)

Launched myTV mobile application in Hong Kong, then followed by TVB News, TVB Finance and TVB Zone app

2012

Sir Run Run Shaw retired as Chairman and was honoured as Chairman Emeritus

Dr. Norman Leung became Executive Chairman of TVB

2015

Dr. Charles Chan became Chairman of TVB

Exited Taiwan operations by way of two transactions – first transaction in January 2015 sold 53% of Liann Yee Production Company and the second transaction in March 2016 sold the remaining interest

2016

Launched OTT service, myTV SUPER, in Hong Kong and enhanced version of TVB Anywhere in overseas markets

Co-invested with China Media Capital, TVB takes up 11.98% effective interest in Hong Kong listed Shaw Brothers Holdings (stock code: 00953) for movie production and investments

Successfully raised a 5-year US$500 million unrated notes at 3.625%

2017

Launched Big Big Channel, TVB's social media app carrying self-produced short formatted content

Formed a US$100 million partnership with Imagine Entertainment for development and production of a US drama slate

Celebrated 50th anniversary of broadcasting in Hong Kong. TVB now operates myTV SUPER, the largest OTT platform of Chinese programming content in Hong Kong, and Big Big Channel, a social media platform with growing popularity globally, in addition to terrestrial television broadcasting

2018

Inaugurated Big Big Shop, an e-shop platform, adopting a "showing on TV, selling in Big Big Shop" model to market advertiser-sponsored products on prime time shows and execute online orders in e-shop


50+1

COMMENDATIONS AND AWARDS 2018

- **2018 New York Festivals World's Best TV & Films**

  2017 Mother's Day Image
  Bronze World Medal in Copywriting: Promotion/Open & IDs category

- **2018 New York Festivals World's Best TV & Films**

  Legal Mavericks Opening
  Bronze World Medal in Entertainment Program Open & Titles category

- **2018 New York Festivals World's Best TV & Films**

  2017 Mother's Day Image
  Gold World Medal in Direction: Promotion/Open & IDs category

- **2018 PromaxBDA Asia Awards**

  Little Miss Hong Kong Kit Set 2018
  Silver Award in Best Collateral Material Category

- **2018 PromaxBDA Asia Awards**

  The Golden Jubilee of TVB
  Gold Award in Best Collateral Material category

- **ABU Prizes 2018**

  Line Walker: The Hunting Game
  Winner in TV Entertainment category

■ **2018 New York Festivals World's Best TV & Films**

Legal Mavericks
Bronze World Medal in Best Screenplay category

■ **2018 New York Festivals World's Best TV & Films**

Pak Suet Sin Special
Bronze World Medal in Biography/Profiles category

■ **2018 New York Festivals World's Best TV & Films**

5 Kids And A Bloke
Bronze World Medal in Childrens/Youth category

■ **2018 PromaxBDA Global Excellence Promotion, Marketing and Design Awards**

Grand Variety Show In Celebration Of The 20th Anniversary Of Hong Kong's Return To The Motherland
Silver Award and Set Design category

■ **2018 PromaxBDA Global Excellence Promotion, Marketing and Design Awards**

Memorial Stamp for The Golden Jubilee of TVB
Silver Award and Premium or Specialty Items category

■ **The 7th Beijing International Internet Film Festival**

Line Walker: The Prelude
Best Story Award in Internet Series category

■ **2018 PromaxBDA Global Excellence Promotion, Marketing and Design Awards**

TVBuddy Chinese New Year Deco 2017
Bronze Award and Press Kit category

RATINGS HIGHLIGHTS

Scan to discover Top 5 TVB Drama Theme Songs

Scan to discover Top 3 Dramas

Jade

Top 5 Dramas *Consolidated TV Ratings*

1 Life On The Line 29.3 TVRs

2 Deep In The Realm Of Conscience 28.6 TVRs

3 Who Wants A Baby? 28.1 TVRs

4 The Learning Curve Of A Warlord 27.7 TVRs

5 Fist Fight 26.7 TVRs

Top 5 Non-Dramas *Consolidated TV Ratings*

1 T V Awards Presentation 2017 33.6 TVRs

2 T V Awards Presentation 2018 31.2 TVRs

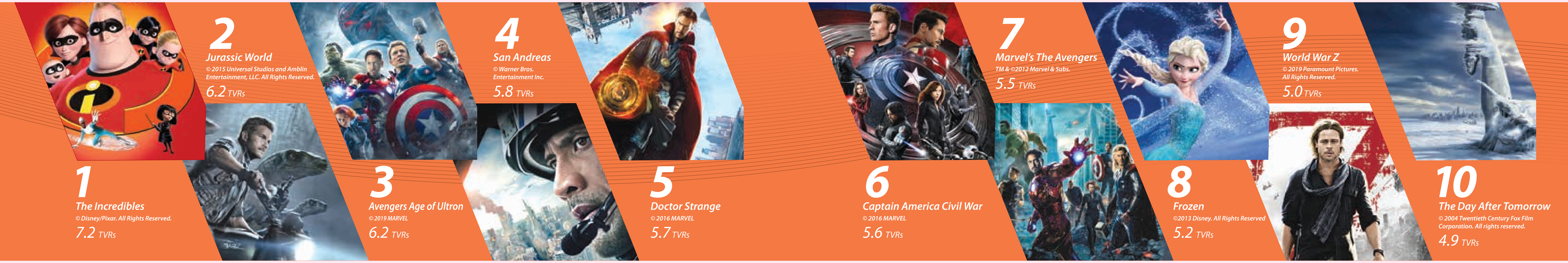
3 TVB 51th Anniversary Gala 31.2 TVRs

4 Miss Hong Kong Pageant 2018 27.3 TVRs

5 Sammy On The Go (Sr.2) 22.9 TVRs

Pearl

Top 10 English Programmes *Consolidated TV Ratings*



1 The Incredibles © Disney/Pixar. All Rights Reserved. 7.2 TVRs

2 Jurassic World © 2015 Universal Studios and Amblin Entertainment, LLC. All Rights Reserved. 6.2 TVRs

3 Avengers Age of Ultron © 2019 MARVEL 6.2 TVRs

4 San Andreas © Warner Bros. Entertainment Inc. 5.8 TVRs

5 Doctor Strange © 2016 MARVEL 5.7 TVRs

6 Captain America Civil War © 2016 MARVEL 5.6 TVRs

7 Marvel's The Avengers TM & ©2012 Marvel & Subs. 5.5 TVRs

8 Frozen ©2013 Disney. All Rights Reserved 5.2 TVRs

9 World War Z © 2019 Paramount Pictures. All Rights Reserved. 5.0 TVRs

10 The Day After Tomorrow © 2004 Twentieth Century Fox Film Corporation. All rights reserved. 4.9 TVRs

Seven-day consolidated TV rating is defined as the summation of spectrum rating, live and as live viewing on myTV SUPER (Set-top box, app & web), as well as VOD consumption of such programme within 7-days after being aired on terrestrial TV. It represents the size of the audience expressed as a percentage of the total TV population. For 2018, the total TV population comprises 6,554,000 viewers and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.

CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to present the Company's financial results and the major developments for the financial year ended 31 December 2018.

FINANCIAL PERFORMANCE AND DIVIDENDS

During the year, the Group's revenue grew by 3% to HK$4,477 million. Gross profit increased by 6% to HK$2,141 million. An impairment charge/loss in the amount of HK$500 million was recognised in the profit or loss account against bonds issued by SMI Holdings Group ("SMI") in the nominal amounts of HK$830 million. Loss per share was HK$0.45 (2017: earnings per share HK$0.56). In the absence of the impairment charge/loss of HK$500 million against SMI, the Company would have reported a profit attributable to equity holders of HK$301 million for the full year, compared with a profit attributable to shareholders of HK$243 million for the year ended 31 December 2017.

The Company's policy for dividend is to maintain as far as possible a steady dividend stream to shareholders. The level of such dividend payments is a reflection of the Board's view of the long term profitability of the Company's business.

The Board declared an interim dividend of HK$0.30 per share on 22 August 2018. Based on the result before the impairment charge/loss which is a non-operating cash item, the Board has recommended a final dividend of HK$0.70 per share, making a total dividend of HK$1.00 per share for the full year.

BOARD STRATEGIES AND KEY ACHIEVEMENTS

The internet has had a profound impact on the way we live and work. Often described as the "third" industrial revolution, the internet brings positive changes to improve our lifestyle and the way we receive information and content, but severely disrupts the old economy companies with conventional business models. Many companies are urged to adapt new models, in order to sustain in business and to grow.

The year of 2018 was a year full of challenges. The ongoing US-China trade disputes and the reality of an economic slowdown in Mainland China gave rise to headwind and increased uncertainties. Despite of these challenges, the Board is committed to transformation and staying ahead of the curve.

To confront these disruptive changes, the Board has adopted three clear strategies for long-term development: investing in digital platforms; raising content standard; and developing new markets, all of which are crucial to our future successes.

We have made a number of clear strides in building new digital platforms to complement our terrestrial TV business. Within a period of three years, we successfully launched two substantial digital platforms – over-the-top ("OTT") platform (via myTV SUPER and TVB Anywhere), and social media platform (via Big Big Channel) which have gained wide market acceptances. With its unrivalled track record, Jade channel is well-positioned to help develop viewers' base for the new digital platforms. In 2018, closer integrations between platforms remained our key business priority. With content propositions in both long and short formats designed for TV broadcasting and mobile devices, we are endeavouring to address the needs of a wide range of audience including those digitally savvy young viewers.

In April 2019, myTV SUPER will be turning three. With more than 7.3 million registered users, myTV SUPER is the second most-watched platform after Jade and is the leader of OTT TV service in Hong Kong. We are continuing to attract new subscribers through our own channel and our ISP partners. To further develop advertising sales, we are strengthening our library content to drive consumption and broaden the demographics. As a new extension to our Big Big Channel business, I am pleased to note that Big Big Shop, an e-shop platform, began service in mid-2018 and has delivered notable sales records to date.

Mainland China is our key market for growth. In the online world, we are witnessing an explosive growth in online video businesses with mega online players competing heavily for content and audiences. Strategically partnering with Tencent and iQiyi to develop high quality content, TVB continued during 2018 with the co-production model to create drama content with a "Hong Kong-produced" label, serving both Mainland China and our domestic market. Three co-production titles (*Deep In The Realm of Conscience*; *Another Era*; and the soon-to-be-released *The Defected*) were delivered to our partners, which resulted in an encouraging jump in co-production revenue. Whilst the growth in co-production revenue was promising, we are mindful of the changing landscape for content production in Mainland China which could be subject to regulatory measures at short notice. In the long run, we aim to further scale up the ratio of co-production drama against TVB's overall outputs.

Our licensing business in Mainland China made good progress. Under TVBC, our subsidiary and sole distributor agent, we continued to license TVB drama content to national networks and online video partners including Youku Tudou. To position for growth in this important market, we increased our stake in TVBC from 55% to 70% during the year.

We are fine-tuning our programme licensing and distribution business to adapt to market changes. Technology disruption is equally impacting our platform customers in Singapore, Malaysia and Vietnam, as their steady subscription revenue is increasingly under pressure. We are working together with our customers to resolve these business interruptions in a partnership manner.

ENFORCEMENT PROGRESS

TVB is committed to protecting our intellectual property rights by engaging in proactive anti-piracy and enforcement programmes in all of our major overseas markets. During the year, we have made significant progress in Australia and Singapore in combating piracy by way of site-blocking orders. We are also starting similar site-blocking actions in other overseas markets, including the UK and Malaysia.

GOVERNANCE

I am most thankful to my fellow Board members for their guidance and support. The Board is supported by a total of eleven members, and its membership remained stable. With this sizable Board, I believe that we have a strong mix of skillset and depth of knowledge for our business.

OUTLOOK

2019 will continue to be full of challenges for the Board and the Management. We are confident that with the timely rollout of myTV SUPER and Big Big Channel, we have gained an important footing in the digital marketplace during a period of transformation. We foresee that Big Big Shop will be a beneficiary of the strong promotional power of our terrestrial TV channels. The recent relaxation in indirect advertising regulations is expected to provide the much needed impetus for growth.

Charles Chan Kwok Keung
Chairman

Hong Kong, 20 March 2019

GROUP CEO'S REPORT

MARK LEE PO ON

I would like to present my report on the execution of Board's strategy and the performances of our key businesses during the year ended 31 December 2018.

STRATEGIES AND KEY ACHIEVEMENTS

In 2018, we adhered closely to the Board's strategies and remained steadfast in our digital transformation journey.

TV Broadcasting

During the year, our terrestrial TV channels continued to capture robust viewership and reported an average audience share of 82% against all TV channels, free and pay, during weekday prime time. On average, our channels reached a total 5.6 million viewers in homes and 1.6 million viewers out-of-homes in Hong Kong every week. Beyond Hong Kong, TVB's Jade and Pearl channels are distributed widely in the Guangdong Province where Jade always maintains a position at the top three most-watched channels in the key provincial cities. With population of over 70 million in the region, we are presented with ample opportunities to develop product placement and airtime advertising businesses.

Supported by our consistent prime time TV ratings, we have become a trusted partner of many advertiser clients. By structuring the five digital channels with separate demographic targets, we have built over the years a well-diversified client base ranging from international conglomerates to local shops, which helped mitigate the concentration risk and minimise the impact of fluctuating market cycles. In the 2018 interim report, we reported a 2% year-on-year increase in income from advertisers on terrestrial TV channels and were expecting a recovery of the advertising market. However, our business in the second half of the year was disrupted by many factors including tensions arising from the US-China trade disputes; slower China economy; and cautious consumers' sentiment which dampened the growth momentum. For the full year, income from advertisers reported a marginal 1% decline. With the market uncertainties still lingering on, we anticipate that the advertising sales under Hong Kong terrestrial TV broadcasting will remain challenging in 2019.

In July 2018, the Government announced certain relaxations in regulations governing indirect advertising for local programmes. This long-anticipated amendment is very much welcomed as product placement has always been an important source of income for content producers worldwide. We began right away to engineer more product placements in station-produced prime time programmes, with a balanced curation of storylines and products to generate market awareness and attention. Our production team has been using sitcom *Come Home Love: Lo And Behold* as a testing ground for product placements. Recently, we extended the weekday infotainment programme *Scoop* into a daily show to create more advertising opportunities. For advertisers targeting the international market, these in-programme messages and product displays can help accelerate the impact. We hope that the time and the efforts invested in producing product placement will pay off with credible increases in related sales.

To address the changing market evolution between online and offline, we are extending beyond traditional TV commercials to include events management services, by utilising TVB's power to promote outdoors and indoors events using our talent and stage management resources, as well TV platforms.

myTV SUPER Business

myTV SUPER OTT service is offering subscribers more than 40 channels and over 58,000 hours of VOD programmes. Alongside a subscriber base of over 7.3 million registered users, we are pleased to note that weekly time spent on myTV SUPER has grown to over 20.1 million hours. With an all-day-all-time rating of 1.83 TVRs, myTV SUPER has become the second most-watched platform in Hong Kong after flagship Jade. Thanks to the compelling qualities of our long-form content, daily time spent on myTV SUPER has surpassed the consumption on YouTube and Facebook videos in accordance with a viewer survey conducted by Nielsen in 2018. This puts us in a very favourable position in competing for digital advertising orders locally.

We are pleased to report that myTV SUPER business had delivered a segment profit in 2018 for the first time. To date, we have successfully penetrated 51% of the households in Hong Kong with myTV SUPER set-top boxes ("STB"), and 78% of the TV audience with myTV SUPER mobile app. We are continuing to work on subscriber acquisitions.

myTV SUPER's business in 2019 will be extended into the premium subscription market by offering, under myTV Gold, premium sports; documentary; mega movie channels. myTV SUPER introduced Ad Booking Manager system to facilitate direct bookings by advertisers, and also launched in-video advertisement placements. Moreover, myTV SUPER will cooperate with Google Ad Manager on Addressable TV advertising solution. On the other hand, we are deepening our collaboration with a trusted network partner Hong Kong Broadband Network ("HKBN"), by bundling its enterprise broadband services with TVB's digital advertising solutions on myTV SUPER. This, we hope, will allow us to tap into a new enterprise market via offering cost effective solutions.

Big Big Channel Business

I am pleased to highlight our development into the social media space. Launched in July 2017, Big Big Channel, which is characterised by TVB's programme-related content, has secured a premier position in the social media space. In view of the growing demand for short-form video, we are leveraging the strong affinity between audience and our artistes/KOLs, to deliver content marketing. These unscripted content, including streaming of live events, e-sports, making-of videos and other spin-off content from original TVB programmes, are well sought-after by fans worldwide. To date, our social media app, Big Big Channel, together with TVB's footprint on Facebook, YouTube, Weibo and other major social media networks attracted over 12.2 million followers worldwide.

Big Big Channel is being transformed into a new business segment comprising marketing event service, social media advertising and promotion, e-commerce adopting the model of "showing on TV, selling in Big Big Shop", and the creation of short video for licensing.

Mainland China Businesses

During 2018, we devoted substantial efforts in developing new markets. Businesses in Mainland China comprised co-production of dramas and licensing of TVB content to networks and online platforms. The income size has grown notably from 2017, making it a significant revenue contributor. Our strategic collaboration with the leading Chinese online video platforms on co-production of platform-exclusive dramas serials continued in 2018. To cater for bigger markets, programme production budgets were allowed to increase in tandem with increased production fees. These drama serials have funded us with bigger budgets to raise content standard and strengthen our brand. In 2018, three co-production dramas serials were delivered to on-line platforms. For 2019, we will allocate more resources to grasp the business opportunities in the online space.

GROUP CEO'S REPORT

The issue of the collection of a licence fee for distribution of two of our channels, Jade and Pearl, in Guangdong is gradually being resolved. Through our persistent efforts, we have made progress in collaborating with the cable operators in the region to develop advertising business using these channels.

International Distribution

We are now running concurrently a business-to-business ("B2B") model, as well as a business-to-consumer ("B2C") and a business-to-business-to-consumer ("B2B2C") model in Singapore. By working with the local telcos including MyRepublic, M1, StarHub to resell TVB Anywhere app to end users, we aim to amplify our reach and to seize growth opportunity in digital advertising. We anticipate that this model will be similarly considered with our business partner in Malaysia and other Southeast Asia markets. Launch of localised TVB Anywhere services in 2019 has been confirmed for Thailand and Vietnam. By working with M.V. Television in Thailand and Vietnamoble Telecommunication in Vietnam, we are going to extend our service coverage from Chinese-speaking audience residing overseas to mainstream audience in selected markets by offering foreign language sound track. To capture a wider audience group, we are going to launch a global app for TVB Anywhere in 2019.

Resource Re-allocation

We made a number of changes to our internal structure to align with the new business direction. Over the past years, we added a number of new headcounts to strengthen our digital team for expediting the developments of OTT businesses and social media platform. At the same time, we expanded the production team for TVB Finance & Information Channel (Channel 85) which caters to a growing group of local and overseas investment-savvy viewers. To adapt to a new production workflow, we rationalised the production line by closing one of our studios as more shootings are done on location, and the resources supporting the international licensing business as the old system of programme play-out is being replaced by server-driven OTT operations. During the year, we migrated our magazine publication business online, and closed down the printed magazine publication. We are confident that these changes will facilitate the Company's long term development.

SMI Bonds

The Company invested in US$23 million 9.5% unsecured redeemable fixed coupon bonds due 2020 ("SMI Fixed Coupon Bonds") and US$83 million 7.5% secured redeemable convertible bonds due 2020 ("SMI Convertible Bonds") issued by SMI Holdings Group Limited ("SMI"), a company listed on The Stock Exchange of Hong Kong Limited (collectively, the "SMI Bonds"). The Company noted that SMI is undergoing a debt restructuring by way of prospective conversion of certain outstanding debts into equity of SMI, and the raising of capital by way of prospective subscription of new shares in SMI. The Company is currently not a party who has entered into letters of intent for conversion of debt or memorandum of understanding for subscription of new shares in SMI. The Company noted that these letters of intent or memorandum of understanding signed in relation to the debt restructuring process are not legally binding, and may or may not materialise.

A special task force of the Board has been formed to consider all available options in recovering the amounts invested in these bonds. The market will be kept informed of major developments.

The Company is monitoring developments in the proposed debt restructuring of SMI and will keep all options open without binding the Company to proceed or not to proceed with any option at this stage. In considering any option, the Company will act in the best interest of the Company and its shareholders as a whole at all times.

Mark Lee Po On

Group Chief Executive Officer

Hong Kong, 20 March 2019

OUR BUSINESS AT A GLANCE

Grow market share in Hong Kong's advertising market with one-stop solution
Expand global footprints by adding co-production, movies and US drama slate

SEGMENT	BUSINESS MODEL	PRODUCTS/BRAND	MARKET	GROUP'S INTERESTS
Hong Kong TV Broadcasting	Free-to-air TV broadcasting of five terrestrial TV channels, each with clear audience targets in return for advertising and production revenue. Co-production of dramas with Chinese online operators.	Terrestrial TV channels (Jade, J2, TVB News, Pearl, TVB Finance & Information)	Hong Kong and Mainland China	100%
myTV SUPER	Operation of myTV SUPER OTT service and website portals	myTV SUPER, www.tvb.com and a range of mobile apps	Hong Kong	100%
Big Big Channel Business	Operation of online social media platform, Big Big Channel; e-commerce platform, Big Big Shop; live events, and music entertainment	Big Big Channel, Big Big Shop and Voice Entertainment	Hong Kong	100%
Other Activities	Investment in complementary businesses	Movie investment (Shaw Brothers Holdings, Flagship Entertainment); US drama slate (Imagine Tiger Television)	Hong Kong and United States	• Movie investment: 5-12% (effective) • US TV drama production: 50%
Programme Licensing and Distribution	Licensing of TVB produced channels and programmes to TV operators for exhibition on pay TV services and online	TVB programmes and channels (in Cantonese and dubbed soundtracks)	Key markets • Malaysia • Singapore • Mainland China • Canada • Vietnam	• Licensing and distribution: 100% • Mainland China: 70%
Overseas Pay TV and TVB Anywhere	Subscription pay TV service and operation of TVB Anywhere OTT service	• TVB channels bundled with DISH Network offerings in North America (USA) • TVB Anywhere	• North America • Australia • Europe • Rest of the world	100%

Television Broadcasts Limited (TVB; stock code 00511) commenced business in 1967 and was listed on The Stock Exchange of Hong Kong Limited in 1984. TVB is the first wireless commercial television station in Hong Kong, and is the leading free-to-air TV broadcaster in Hong Kong with 82% audience share. It is also one of the largest commercial Chinese programme producers in the world. Its vertically integrated business model encompasses production, broadcasting and distribution. TVB generates 70% of its group revenue in Hong Kong, with the balance from the rest of the world through licensing and subscription businesses.

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Hong Kong TV broadcasting business continued to be the largest revenue contributor, accounting for 65% of the Group's revenue. This segment includes Hong Kong terrestrial TV broadcasting and the co-production of drama serials partnering with leading Chinese online video platforms. During the year, segment revenue from external customers increased by HK$105 million or 4% year-on-year from HK$2,818 million to HK$2,923 million mainly due to higher co-production income earned during the year.

ADVERTISING REVENUE

The year of 2018 started on a fairly optimistic tone. However, tensions arising from US-China trade disputes intensified since mid-year, bringing volatilities to the stock markets around the world and dampening market sentiments. In Hong Kong, Gross Domestic Product (GDP) growth and retail sales index exhibited a notable slowdown in the third quarter and slackened further in the last quarter of the year. In this climate, advertisers are acting cautiously before making air-time investments. As recorded in the interim report for the period ended 30 June 2018, income from advertisers registered a mild 2% year-on-year growth, which supported momentarily a recovery after a prolonged decline since 2015. However, this growth did not further in the second half of the year as the slowing Mainland China economy dampened consumers' sentiment. The influx of cross-border tourists brought by the opening of two transport links: the high-speed rail connection with Mainland China and the Hong Kong Zhuhai Macau Bridge, failed to translate into an immediate spending bump, given the depreciation of Renminbi and Mainland China's crackdown on grey-market imports of luxury goods.

The weaker economy and cautious consumption sentiment had taken a toll on our income from advertisers, resulting in a 3% year-on-year decline in the second half of the year. Overall for the full year, the income from advertisers on terrestrial TV channels sustained a marginal decline of 1% from HK$2,459 million to HK$2,440 million.

As the most watched platform in Hong Kong, TVB channels continue to attract a diversified advertiser base. The fast moving consumer goods ("FMCG") category continued to dominate our client base. Overall, the rankings of the key advertisers in the spending league table were maintained stable with the five top spending categories mirroring those of last year. Milk powder secured the top spending position but witnessed a further decline this year as the retail sales had persistently been affected by enforcement of the hand-carry limit for infant formula across border, a law introduced back in 2013. The second largest category, loan and mortgage companies continued to use TV commercials for their image-building campaigns and had increased spending from last year. Skincare category, secured the third position with an ad-spend growth reversing the downward trend since 2014. But it is still too early to conclude a turnaround for this category. The fourth and fifth largest spenders – travel agents, and pharmaceutical and healthcare supplements, had both recorded promising growth. However, advertising revenue from the Government and related organisations weakened, as there were no special events and campaigns in 2018. Local properties and mobile phones advertisers reported a shrinking trend with fewer product promotions.

We continue to offer air-time packages and tailor-made packages to coincide with key local events and the seasonal festivities which were successful in bringing in advertisers looking for campaigns to coincide with their product promotions. We will continue to tap into new advertising categories, and to further enlarge our client base into nearby cities in the Greater Bay Area.

With the recent relaxation in regulations governing indirect advertising in TV programmes, we are seizing this opportunity to work on product sponsorship in dramas and variety shows. We are directing our efforts to provide ample scope for display of products and incorporation of products into the theme of programmes.

TERRESTRIAL TV CHANNELS

As one of the world's largest Chinese content producer, we create annually over 23,000 hours of news, variety, drama, travelogue and current affairs programmes. Thanks to the popularity of original TVB content, our terrestrial TV platforms maintained a dominating audience share in Hong Kong. On average, our five terrestrial TV channels reach 5.6 million viewers in homes and 1.6 million viewers out-of-home in Hong Kong every week[1]. During the year, the average audience share[2] of TVB's terrestrial channels against all of the free and the pay TV channels in Hong Kong during weekday prime time was maintained steady at 82%.

Our five terrestrial TV channels, each with clear demographic targets, complement one another well. Jade, the flagship channel, is well-liked by the mass market. J2, targeting the adolescent audience, offers chic and creative content, using self-produced and acquired programmes. TVB News has established as one of the most trusted sources of news content and is the most watched news channel in Hong Kong. Pearl is our only English channel and keeps the mass English speaking audience entertained. TVB Finance & Information, in its revamped form, presents insightful stories and analyses relating to the financial, property and topics of general interests. These circumspective arrangements have rewarded us with an impressive viewership.

TVRs serve as important KPIs for our advertising business and are collected programme-by-programme and minute-by-minute in order for us to measure the programme's performance. The average prime time in-home live rating[3] and the average percentage audience share by channels for 2018 are as follows:

	2018	
	TVRs	**% of Total TV**
Jade	**20.1**	**68**
J2	**1.6**	**6**
TVB News	**1.5**	**5**
Pearl	**1.0**	**4**
TVB Finance & Information	**0.6**	**2**

TVB programmes attract substantial viewership from neighbouring cities in the Greater Bay Area. Jade is one of the top three most watched channels in Guangzhou, Foshan, Zhongshan and Zhuhui during weekday prime time, reporting an average rating of 2-3 TVRs[4] in each city. In Macau, Jade's average weekday prime time TV rating was 15.3 TVRs[5].

1 Average reach is the average number of viewers contacted for a specific period. Data source: CSM Media Research and Nielson Out-of-home Study.

2 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, pay TV channels, and other TV channels capable of being received in Hong Kong, such as satellite and OTT channels. Data source: CSM Media Research.

3 Live rating represents the size of the audience expressed as a percentage of the total TV population. For 2018, the total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.

4 Data source: CSM Media Research

5 Data source: Nielsen Macau Study

REVIEW OF OPERATIONS

20.1 TVRs
Jade
prime time
(68% of Total TV)

Jade

Jade is the flagship channel of the Group, and during 2018, Jade maintained a steady in-home live rating of 20.1 TVRs during weekday prime time, and an audience share of 68% of all TV channels in Hong Kong. With a high mass appeal, Jade plays an important role in driving synergy across all platforms. The catch-up viewing on myTV SUPER and live viewing on myTV SUPER app and web, and out-of-home TV sets further contributed an additional 4-6 TVRs[6] to Jade's prime time programmes.

Drama

TVB continues to invest in prime time programmes using self-produced dramas. This genre has consistently secured the position of the prime time blockbuster.

Life on the Line, a hit drama presenting amazing rescue stories of ambulance elites led by Joe Ma recorded a consolidated TV rating[7] of 29.3 TVRs on TVB's platforms and became the highest scoring self-produced TV drama in 2018. The drama has a refreshing theme for

Life On The Line

viewers who may not be familiar with the duties and lives of paramedics. Based on true stories, this drama touches the hearts of our audience. A special online edition of a life and death scene of a main cast drew netizen's attention, which helped drive catch-up ratings further.

A family drama, *Who Wants A Baby?* tells a story of a career-minded couple, whose lives have been disrupted by an unexpected pregnancy. The emotionally wrought and physically challenging experience of caring for their new born 24/7 not only drifted the couple apart, but also stirred up conflicts with their mothers. The role of a new mother, portrayed by Ali Lee, gained much audience's resonance and acclaims. This drama registered a consolidated TV rating of 28.1 TVRs on TVB's platforms, making it the third highest scoring drama in 2018. The success of this programme attracted product sponsorship and spin-off advertising campaigns from baby product brands.

[6] Data source: Nielsen (SiteCensus & Out-of-home Study)

[7] Consolidated TV rating is an average rating of a programme summing spectrum rating (in-home and out-of-home), live and as-live viewing on myTV SUPER (STB, APP, Web) as well as VOD consumption of that programme within seven-day period after being aired on terrestrial TV. For 2018, the total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research, & Nielsen (SiteCensus & Out-of-home Study).

The Learning Curve Of A Warlord

Who Wants A Baby?

Fist Fight

REVIEW OF OPERATIONS

Co-produced with Tencent Penguin Pictures, *Deep In The Realm Of Conscience* was a highly-anticipating second sequel to 2009's *Beyond the Realm of Conscience*. This grand production costume drama, shot on location at Hengdian World Studio, was set to tell a story of Tang Dynasty palace intrigue, interweaved with deceit and truth, hatred and love. The sequel which boasted a fresh cast starring hot faces like Steven Ma, Annie Liu in local TV drama series, attracted a consolidated TV rating of 28.6 TVRs on TVB's platforms, and was ranked the second highest viewership.

Another Era, a sequel to the classic *At the Threshold of Another Era* telecast in 1999 was released on Jade's prime time. This title was a grand co-production with iQiyi. The story of *Another Era* spans an entire decade, beginning with the global financial crisis of 2008. An ambitious businessman, together with his family members, allies and rivals, were drawn into a new era of business war. The villain role played by Roger Kwok, the returning cast member from the original Era series, provoked a great deal of controversy from the online community.

Deep In The Realm Of Conscience

During the year, four drama serials were licensed to Youku Tudou in Mainland China in sync with their broadcast schedule in Hong Kong. Legal drama *OMG, Your Honour* and professional drama *Life On The Line* shed light on the hardships of lawyers and ambulance elites respectively, gained high applause from Mainland China audience. The diligently created characters and their inspirational story lines left a deep impression on the audience. Modern action suspense thriller, *Fist Fight*, which was filmed on-location in London, Manila and Hong Kong, excited audience with plenty of fight and gun scenes. This drama told a story of three young brothers who were reunited after many years of separation and discovered together a great conspiracy behind the deaths of their parents.

The return of veteran actor Dicky Cheung to TVB who played the role of warlord in the light-hearted comedy *The Learning Curve Of A Warlord* rejoiced the fans. The serials set in post-Qing China and chronicle the journey of a ruthless man who succeeds as one of the most powerful warlords in the region. Cheung's highly-entertaining and witty dialogue delivered in his unique style, together with shining moments of the supporting cast kept audience engaged. This drama attracted a consolidated rating of 27.7 TVRs, proving it as one of the top five favourite genres in 2018.


Another Era


OMG, Your Honour

REVIEW OF OPERATIONS

Non-drama

With the relaxation of regulations governing indirect advertising becoming effective in July 2018, advertiser-sponsored products can now be embedded in programmes more prominently. Brand marketers are expecting to deliver more authentic experiences to consumers. We are working closely with clients to seamlessly execute and integrate product placements into programmes. Notable initial successes included two popular prime time shows, *Scoop*, an infotainment programme featuring latest happenings daily at 7:30pm and a long-running weekday sitcom at 8:00pm, *Come Home Love: Lo and Behold*, where product sponsorships are naturally integrated in the setting and storyline of both programmes. The well-received characters of *Come Home Love: Lo and Behold* has also enabled us to create more reverse product placements for advertisers. During the year, this sitcom which attracts younger demographics with an extended cast and popular guest appearances, reported a higher consolidated TV rating of 25.8 TVRs. The newly-added reinforcement functions on myTV SUPER such as targeted in-stream videos, clickable U-shaped wallpaper, and connectable QR code to guide consumers to advertisers landing page add value to a one-stop marketing solution. More shows in the pipeline will follow this monetisation strategy.

TV consumption has become more interactive with the birth of social media, a platform where audience can discover exclusive content, engage with celebrities and chat before, during and after the shows. Having a strong social media following can help the shows going robust before premiere. In 2018, we optimised

Scoop


Miss Hong Kong Pageant 2018


Sammy On The Go (Sr.2)


The Ahistoric Grandpa Cooking Show

the workflow to create more exclusive short videos for Big Big Channel, releasing more making-of videos, funny blooper, behind-the-scenes tidbits, and artiste live chats on major social media platforms. The effective use of promoting shows online extends the peripheral value of content and generates positive feedback from product sponsors. Travelogue *Sammy On The Go* adopted this new production arrangement, by hosting archors' live chats during outport filming.

In view of the increasing popularity of online shopping, we opened our e-shop Big Big Shop in July 2018, leveraging the influential power of our three platforms and talents. A few TV programmes were specifically designed to execute our "showing on TV, selling in Big Big Shop" model. By engaging celebrities to promote advertiser-sponsored products during prime time shows, we made a revolutionary move by shifting audience from a passive mode to an active instant e-shopping experience. We pioneered this direct sales format with Jade flagship cooking programme *Good Cheap Eats 7*. The sales record and market feedback were very encouraging. Other programmes, such as *Eat Well Mom, Big Big Channel 1st Anniversary All-Star Gala* and special segment in *Scoop* were developed to nurture e-commerce businesses.

Our signature annual shows, such as *TV Awards Presentation; Anniversary Gala Show*; and *Miss Hong Kong Pageant* continued to score high ratings in 2018. Audience enjoyed the glitz and glamour performance of TVB artistes and the interactive spin-off on Big Big Channels made the shows even more memorable.

TV Awards Presentation 2017

Come Home Love: Lo And Behold

1.6 TVRs
J2
prime time
(6% of Total TV)

J2

J2 has enriched its programme line-up by offering more chic and creative programmes targeting the adolescents. With a majority of our prime time shows produced in-house, we are passionate about creating engaging content which appeals to the young audience. Synergising with Big Big Channel social media platform, we deploy compelling content starring J2's featured hosts/KOLs to cultivate a group of superfans.

A series of programmes was proudly created to celebrate the 10th anniversary of the channel, such as *Big Boys Club: J2 10th Anniversary Special*, and *My, It's Been Ten Years*. J2's longest-running programme, *Big Boys Club*, has been rearranged to an earlier time slot to capture more viewers. This programme will present a new look in 2019 with a fresh studio setting and enriched content.

Weekday's early prime time was revamped with innovative shows from Taiwan's Big Big Channel production team. Programmes ranged from travelogue *Bona Fide Taiwan; Taipei Untouched; Inspiring Journeys* to food programme *MASA's Taste of the Day*; beauty programme *Epicurean Girls*; and lifestyle programme *Trend in Taiwan*.

J2 and Big Big Channel continued to work together to cultivate young fans and to ramp up monetisation. Notable successes included featured talk show *Young*

Big Boys Club

eSports Central

Young And Restless

And Restless and two newly-added programmes, *Big Big Beauty* and *eSports Central*. The ability to engage with targeted audience both on-air and online has empowered us to share a bigger slice of the expanding e-commerce pie and product sponsorship budget. *Young and Restless*, anchored by young rising stars, Luk Ho Ming, Louisa Mak, Crystal Fung and university student KOLs, gained popularity and acclaims on the social media for its lively and spontaneous chats.

New interactive programme *Big Big Beauty* showcases the latest trendy products in form of consumer testing and endorsement by chic anchors. This programme adopts the "showing on TV, selling in Big Big Shop" model, using post-show tutorials and product demonstrations on Big Big Channel to help complete the purchase in Big Big Shop.

J2 presents a brand new programme *eSports Central* to keep e-sport fans updated on the trendiest games, e-sports products and stadiums. Turning into "E-Sports King", Brian Tse and Joey Thye mingle with other e-sportsmen to show off their skill sets and gaming strategies.


Epicurean Girls


Bona Fide Taiwan


Big Big Beauty


Trend in Taiwan

REVIEW OF OPERATIONS

1.0 TVRs
Pearl
prime time
(4% of Total TV)

Pearl continues to offer up-market and stylish programmes to upkeep its position as the leading English channel in Hong Kong.

In its 12th year, *Dolce Vita* has been revamped with intriguing lifestyle segments and themes. A new local documentary *Pearl Magazine* was launched with features and stories for local audiences. The return of *In Vino Veritas 4* brought Pearl's premium viewers extensive wine knowledge and beautiful chateaux from international wine growing regions. These self-produced programmes will benefit from the relaxation of regulations governing indirect advertising.

Pearl has been bringing the world's most glamorous Hollywood event *The Oscars*® since the channel's launch. The channel was also awarded as the official broadcaster of the prestigious equestrian sport event, the Masters of Hong Kong 2018.

Masters of Hong Kong 2018

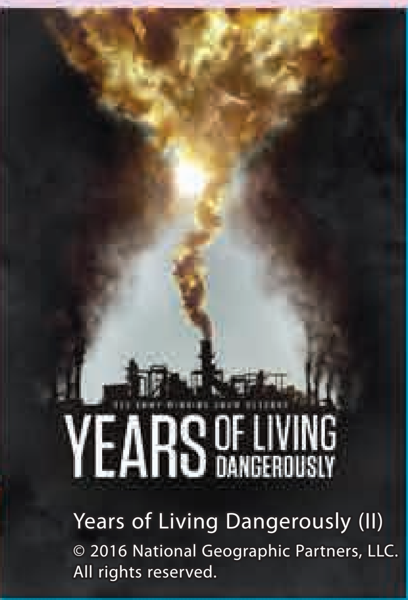
Dolce Vita

In Vino Veritas 4

Mega movies branded as the weekend blockbuster continue to be the most appealing genre on Pearl. Crowd-pleasing animated features and superheroes movies recorded impressive ratings, during the two-month Amazing Summer campaign. In particular, *The Incredible* achieved a consolidated TV rating of 7.2 TVRs and became the channel's top-rated programme in 2018.

Pearl Spectacular with its unique striking natural history production has become another iconic timeslot for the channel. A new vertical slot of Power Wednesday with robust line-up of the landmark science documentary *Year Million* and the successful procedural drama *Deception* was introduced with good market responses.

The Oscars®



Years of Living Dangerously (II)

The Good Doctor


Underwater Planet

Deception

Year Million

REVIEW OF OPERATIONS

0.6 TVRs
TVB Finance & Information prime time
(2% of Total TV)

TVB Finance & Information Channel

TVB Finance & Information Channel leads the market as the only 24-hour finance related free TV channel. This channel carries the image of a high quality market analysis and information channel and is supported by commendable ratings.

TVB Finance & Information Channel recorded an encouraging TV rating growth on weekdays among its core target audience of a pool of investment savvy, compared with 2017. In particular, the channel surpassed other TV channel (excluding Jade) to become the top rated channel during weekday stock trading hour (0900-1600) supported by its intensive capital market updates and expert analyses.

The channel offers a wide range of self-produced quality contents. Apart from instant stock market updates, TVB Finance & Information Channel offers numerous financial and investment programmes at evening prime time, targeting investors in finance and property markets. The live programme of *Finance at 10, Market Wrap Up* and property focused *A Property A Day* are the regular prime time productions.

Other station-produced programmes, such as *A Dream Home Planning, Vital Lifeline*, and *Innovation GPS* plus a newly introduced programme on the silver hair groups' lifestyle, wealth and health management *Revel in Retirement*, were well-received by audience.

TVB Finance & Information Channel Studio

A Property A Day

Into the Greater Bay Area

Keeping pace with the times, the channel featured documentaries on the hottest topics: *Into the Greater Bay Area* brought audience the latest update of developments and opportunities in the Guangdong-Hong Kong-Macau Bay Area.

A brand new programme *Sports A New Horizon* was aired since November 2018 to promote development in local sports and to feature live international sports events.

Besides station-produced programme, the channel localised an acquired masterpiece *General History of China* which aroused widespread interests.

Academia Without Borders

Innovation GPS

Finance at 10

REVIEW OF OPERATIONS

1.5 TVRs
TVB News prime time
(5% of Total TV)

TVB News Channel

TVB News continues to offer the most recent, relevant and accurate news information to audience, cementing its position as the most watched 24-hours news channel both in and out-of-home. During the year, more than 3.6 million viewers watched the channel at homes on a weekly basis and reached 0.8 million viewers at outdoor establishments altogether. With the channel's established track record, TVB News has become a trusted source of news.

TVB News special coverage included the 2018 Legislative Council By-election, the Opening of Hong Kong – Zhuhai – Macao Bridge, 2018 Taiwanese Local Elections. On the visit of super typhoon Mangkhut, the channel recorded its highest daily reach of over 3.7 million viewers.

Besides high quality news coverage, TVB News is committed to enriching its content with station-produced special programmes and informative segments. In the coverage of 40th year commemoration of China reform and opening-up, TVB News presented special themed programmes which included *40 Years of Reforms*, and *The Road to Reform*, to memorialise the progress and the achievements of the reform.

A new informative series on human aging was produced this year. Led by iconic news anchor Anthony Fong, two series of mini-programme *As Long As You Live* were aired. Continuing with his humorous reporting style, Fong and his team addressed how Hong Kong's neighbouring regions, including Japan, Korea, Taiwan, as well as U.S. and European countries including Germany, Switzerland and Holland are tackling the issue.

Other major improvements of TVB News included the revamp of TVB News App with enhancement of user interface and functionality, and the launch of live News Report in sign language.


Opening of Hong Kong-Zhuhai-Macao Bridge

As Long As You Live


Super Typhoon Mangkhut


GZ-SZ-HK Express Rail Link Inauguration

TVB THEMATIC CHANNELS

myTV SUPER OTT service carries 10 thematic channels including TVB Classic, Korean Drama, Japanese Drama, Chinese Drama, Entertainment News, Variety and Travel, Food, TVB Radio, Chinese Opera, Classic Movies. This comprehensive bundle provides premium and quality dramas, varieties, sport events, both local and foreign showbiz news to viewers.

You're Too Much

Bloom
© NHK


Tribes and Empires: Storm of Prophecy

Mr. Baek Home Made Food Master
© CJ E&M CORPORATION

REVIEW OF OPERATIONS

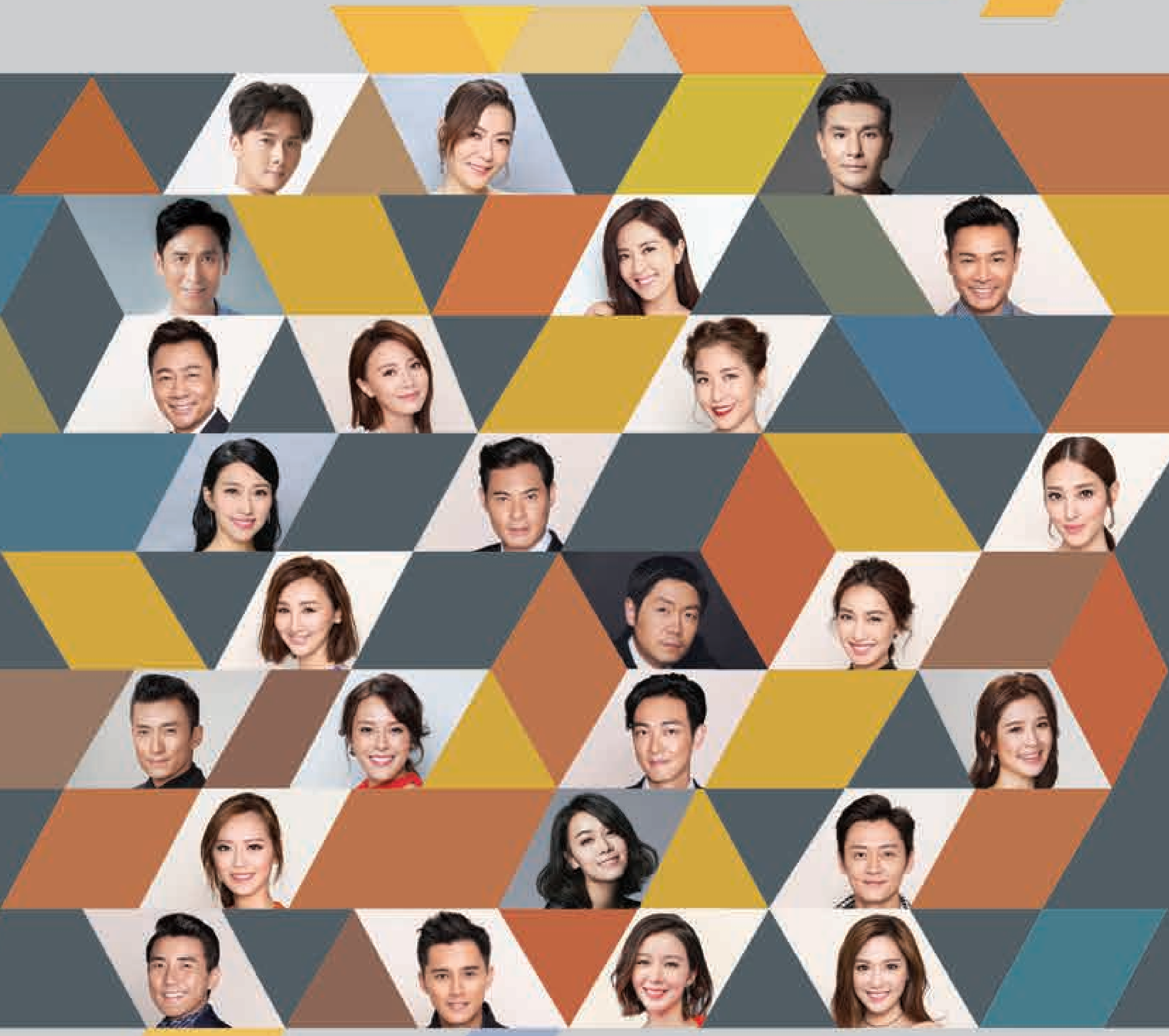
PRODUCTION RESOURCES

ARTISTES MANAGEMENT

TVB strives to produce a wide selection of quality programmes for our audiences worldwide. Our greatest asset is our stars who play important roles in programme production. As of 31 December 2018, we had over 720 artistes, comprising a wide range of skilled talents which includes martial artistes and dubbing artistes.

In 2018, we continued to recruit artistes through talent scouting, organise training classes and recruit young faces through our annual beauty contests, such as *Miss Hong Kong Pageant* and *Miss Chinese International Pageant*, and *Mr. Hong Kong Contest*.

Our casting committee will consider the requirements of our numerous programmes (drama and non-drama) to identify the appropriate casts for programmes and to create opportunities to groom as many new talents as possible to satisfy our production needs.



myTV SUPER

myTV SUPER OTT service has become our key growth driver. This three years old engine leads the OTT TV service serving audiences in Hong Kong. In line with our expectations, myTV SUPER business had begun to contribute positively to the Group. During the year, revenue from external customers increased 43% from HK$280 million to HK$402 million of which, advertising revenue grew 56% from HK$122 million to HK$190 million. The promising growth in digital advertising sales has largely contributed to the segment's turnaround, recording an overall segment profit of HK$16 million in 2018.

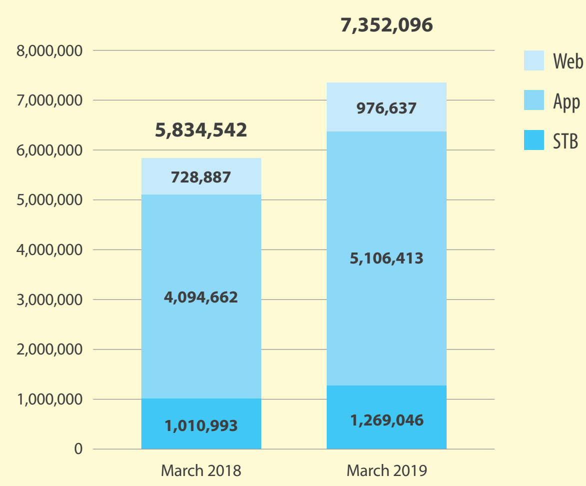
myTV SUPER team includes business development; content acquisition; and advertising sales which is backed by a competent team of data analytics researchers and technology professionals.

The business model of myTV SUPER is built on a combination of subscription and advertising. This OTT service leverages on a strong content library which is largely supported by the TVB signature drama programmes built up over the past decades, as well as the most up-to-date programmes offered by the terrestrial TV channels. The service is tiered and structured such that a free zone offers the latest programmes for catch-up viewing over a limited period; a basic zone namely Alpha pack offers over 30 linear channels and over 56,000 hours of VOD Cantonese language library for subscription; and a premium zone called Supreme pack offers a selection of international content for additional subscription. In 2019, we are going to execute new plans to attract subscription and gain share from traditional pay TV market by introducing a new service myTV Gold with premium sports, mega movies and documentaries.

myTV SUPER continues to track a steady uptake of subscribers. Up to 3 March 2019, this OTT service has further expanded its subscriber base to 7,352,096 registered users, representing an increase of 26% from 5,834,542 registered users reported a year ago. Among the 7,352,096 registered users, 1,269,046 users consume contents through STB, 5,106,413 accounts operate via mobile apps, and 976,637 accounts through the portal. The hard-bundled packages offered by our Internet Service Providers (ISPs) and telco partners, HKBN, HGC Broadband and 3HK, provide strong momentum to further broaden the subscriber base. The combined offerings of broadband service and local content on an OTT service, under an affordable package to subscribers, created this win-win solution.

To date, we have successfully penetrated 51%[8] households in Hong Kong with our STB, and 78%[9] of TV audience with mobile app. myTV SUPER has successfully reached out to a young affluent group of audience, broadening the demographics of our viewing population.

Registered Users of myTV SUPER in Hong Kong



The continual growth of myTV SUPER subscriber base has boosted consumption as reflected in the overall TV ratings, which further add to the TV ratings of the terrestrial TV channels to give a consolidated TV ratings for precise measurement. With an all-day-all-time average rating of 1.83 TVRs, myTV SUPER maintains as the second most watched platform in Hong Kong after flagship Jade. In addition, programmes viewed during prime time on myTV SUPER have generated an average rating of 3.35 TVRs.

Scan to discover myTV SUPER

8 Based on total number of TV households of 2,497,000 as of July 2018, according to Office of the Communications Authority and CSM Media Research

9 Based on total number of TV audience of 6,530,000 as of July 2018, according to Office of the Communications Authority and CSM Media Research

REVIEW OF OPERATIONS

In the second half of 2018, Nielsen has been commissioned to conduct a survey to collect quantitative data on video consumption across all digital platforms and to measure respective engagements with digital audience. According to this survey, among the top ten digital video players available in Hong Kong, myTV SUPER OTT service was ranked at the third position with a 59%[10] reach. Thanks to the compelling qualities of our long-form content, we are ranked at the top position in terms of consumption. With an average daily time spent of 129 minutes from digital audience participating in this survey, myTV SUPER surpasses the average consumption on YouTube and Facebook videos[11]. This puts us in a very favourable position in competing for digital advertising orders locally.

To service our advertisers in this digital space, we are delivering digital and data-driven capabilities through targeting technology and an increasing emphasis on measurement, attribution and analytics capabilities.

- We began since April 2018 the deployment of Data Management Platform ("DMP"), an advertising tool to identify consumer targets across different age groups, gender and geolocation and viewing behaviours. The launch of DMP has greatly benefited the advertisers and agencies to improve their return-on-investments.

- In June 2018, myTV SUPER further expanded advertising inventory beyond in-stream videos with 2-D display slots including clickable U-shaped wallpaper, which offers viewers with further product information by prompting banners and QR code to direct viewers to the merchant's landing page. This online to offline e-commerce structure, together with targeted commercials, is adding value to our one-stop solution.

- In September 2018, we introduced a brand lift survey to help advertisers measure the effectiveness of digital advertising campaigns placed on myTV SUPER. By closely monitoring the viewers' responses throughout the marketing funnel spanning from brand awareness, perceptions and behaviours, initial impression to final conversion, this survey programme provides useful data to gauge the impact of campaigns and allow advertisers to have a better understanding of changing consumer perception pre and post campaign. These advanced targeting and analytics are helping TVB attract new clientele, such as automobile and airlines.

On the content side, myTV SUPER is launching "verticals" targeting audience interested in particular infortainment segments featuring topics such as cars, health, parenthood and wellness and beauty (beauty programme *Get it Beauty on the Road* collaborating with renowned Korean broadcaster CJ E&M and tvN Asia). These programmes are helping myTV SUPER to connect advertisers with the right audience.

We aim to unlock the ad-spend potential of small medium size enterprises ("SMEs"). In September 2018, myTV SUPER launched the Ad Booking Manager. This fully automated and user friendly interface platform allows fast and efficient advertisement booking and processing, which enables SMEs to make bookings and place orders expediently. With this Ad Booking Manager system, we are well-prepared to expand our SME clientele by deepening our collaboration with HKBN. By bundling HKBN's enterprise broadband services with TVB's digital advertising solutions on myTV SUPER, we hope that this will allow us to tap into a new enterprise market.

Moreover, we have solid plans to further grow our STB penetration in Hong Kong. In 2019, we will be partnering with more international content suppliers to offer subscribers with premium sports, mega movies and documentaries. With a highly competitive price point, we are confident about converting traditional TV subscribers to our OTT platform.

[10] According to the survey conducted by Nielsen in 2018, the reach of YouTube and Facebook were 71% and 69%, respectively

[11] According to the survey conducted by Nielsen in 2018, daily time spent on YouTube videos and Facebook videos were 66 minutes and 50 minutes, respectively

Registered myTV SUPER users

March 2019	March 2018
7.3 Millions	5.8 Millions

Weekly Total Time Spent

Last week of 2018	Last week of 2017
20.1 Million Hours	18.4 Million Hours

Weekly Time Spent/USV

Last week of 2018	Last week of 2017
15.9 Hours	15.5 Hours

Contributions to TV ratings (All Day All Time)

24

Last week of 2018	Last week of 2017
1.83 TVRs	1.68 TVRs

Contributions to TV ratings (Prime Time)

Last week of 2018	Last week of 2017
3.35 TVRs	2.91 TVRs

REVIEW OF OPERATIONS

BIG BIG CHANNEL BUSINESS

Big Big Channel business segment comprises social media and e-shop; events management, music production, distribution and publishing. This segment serves to monetise, both online and offline, TVB's extensive content creation capability and marketing power of the long-established terrestrial TV channels.

For the year, Big Big Channel business generated revenue from external customers which totalled HK$87 million (2017: HK$44 million). Owing to upfront investment in capital and operations required for the new social media platform and e-shop platform, a segment loss of HK$19 million (2017: HK$11 million deficit) was incurred.

BIG BIG CHANNEL

Big Big Channel was launched in July 2017 under the Group's strategy to develop a social media platform to complement the two existing platforms – terrestrial TV and OTT. Characterised by TVB's programme related content, this new platform has secured a premier position in the social media space. It targets the young demographics and cultivate viewerships and monetises through content marketing and e-commerce opportunities.

With the growing demand for short-form video content, we leverage the strong affinity between audience and artistes/KOLs, to deliver content marketing using TVB's strong branding on a social media platform. Big Big Channel's self-produced video content covers a wide range of chic topics like spin-off content from TVB programmes and entertainment news, travelogue, home-cooking, dining-out, beauty and health, child-caring, music, lifestyles and online games.

Apart from dissemination of self-produced short video content on our own Big Big Channel app, we also made them widely available on TVB, See See TVB, Big Big Channel accounts with major international social media platforms to maximise viewerships, and hence, revenue opportunities. As of 31 December 2018, Big

Big Big Channel 1st Anniversary All-Star Gala

Big Channel app itself, together with TVB's social media footprints on Facebook, YouTube, Instagram, Twitter, Tencent Weibo, Sina Weibo and Youku, attracted followers aggregating over 12.2 million (2017: 10.6 million) on a worldwide basis.

The expanding user base is helping Big Big Channel to monetise through content marketing for advertisers, spun-off content from TVB programmes and interactive online games. This content marketing strategy enriches online solution offering to advertisers by offering them a highly effective one-stop service.

[12] Including Big Big Channel app, Facebook, Instagram, Twitter, YouTube, Sina Weibo, etc. as at 31 December 2018

[13] Data as of 31 December 2018

All platforms carrying Big Big Channel's content

Total number of followers[12]

2018	2017
12.2 Millions	10.6 Millions

Big Big Channel platform only

Number of registered users[13]

2018	2017
3.1 Millions	3.0 Millions

Think Big In Summer

REVIEW OF OPERATIONS

BIG BIG SHOP

TVB inaugurated a new e-shop business on the first anniversary celebration of Big Big Channel in July 2018. Synergising with TVB's effective promotional power, this new e-commerce arm adopts a "showing on TV, selling in Big Big Shop" model to capture consumers' impulsive desire to buy online by marketing heavily advertiser-sponsored products on TVB's prime time shows. TVB earns a commission for advertiser products sold through Big Big Shop, and also has direct merchandising for selected TVB programme and artiste related premium products. We pioneered this direct sales format by impressing the audience with veteran host Maria Cordero's brilliant culinary skills on her signature programme *Good Cheap Eats* during a late prime time slot on Jade channel. Detailed recipes and short tutorials were streamed on Big Big Channel to interact with the fans on a more personalised level to arouse purchase interest and cultivate customer loyalty. The promising sales record attained from this in-programme promotions of kitchen appliances provided us confidence to strengthen sales execution capacity and increase the return from content investment.

With this initial success, we then developed more celebrity-anchored shows, such as *The Ahistoric Grandpa Cooking Show*, *Homegrown Flavours* and *Big Big Beauty* to broaden our advertiser-sponsored product offerings to food consumables and beauty products. We also worked with many reputable vendors during major festivals to promote seasonal premium curated products. In 2019, Big Big Shop will continue to expand its customer base and work closely with new and existing business partners to further exploit e-commerce potentials for the Hong Kong market as well as neigbouring cities. We believe our recently announced cooperation with Circle K Convenient Stores (HK) ("Circle K"), which owns more than 330 convenient stores in Hong Kong will deliver a better O2O shopping experience to our customers.

EVENTS MANAGEMENT

Promotion campaigns in this O2O era are evolving between online and offline. With this in mind, we are strategically extending services, beyond traditional TV commercials, to include events management, by utilising TVB's power to set promotional events using resources in talent and stage management, and to further promote these events on our own platforms.

In 2018, our events management team helped a number of clients in banking, property management sectors and retailers to organise events. Together with pre and post event promotions on terrestrial and digital platforms, this combined strategy deliver high-effectiveness and help clients generate more business.

Big Big Channel 1st Anniversary All-Star Gala

Good Cheap Eats 7

MUSIC ENTERTAINMENT

TVB's music entertainment business is operated by The Voice Entertainment Group Limited, which produces, publishes and licenses musical works, sells and distribute sound recordings, as well as organising live concerts and artistes' management. Music business accounts for a significant income source within the Big Big Channel business segment. New media income derived from various digital music platforms provides us with steady income.

Since joining us in 2017, Chau Pakho has been performing concert tours in Mainland China, Hong Kong and Malaysia, and has completed 8 solo concerts during the year. Chau, as one of Voice Entertainment's leading singers, has become more well-liked with leading roles in TVB dramas.

Another leading singer Hana delivered a number of hit TVB drama theme songs during this year. Hana is one of the top Cantonese song top-hit rate female singers on YouTube viewership in 2018. With her successes in Hong Kong, Hana received the recognition of the most popular female singer at the Jade Solid Gold Annual Music Awards 2018, one of the most sought after awards in the local musical industry.

In December 2018, we announced another major artiste acquisition as part of our strategy to strengthen the singer-artiste base. Shiga Lin joined the Voice Entertainment to further enhance our line-up of vocalists and to contribute to our theme song productions.

STRATEGIC INVESTMENTS

IMAGINE TIGER TELEVISION

TVB formed a joint venture with Imagine Entertainment in the US and holds a 50% equity interest in the joint venture entity, Imagine Tiger Television LLC ("ITT"). During 2018, ITT's project pipeline has gained significant momentum, securing production greenlights and development commitments for 12 projects. Of the production greenlights, two are slated to begin production in 2019. *WuTang: An American Saga* is centered around the Wu Tang Clan, an iconic American hip-hop group who have released four gold and platinum albums over their 25-year career. Produced by WuTang member RZA and written by Alex Tse, the show received a 10-episode order from streaming platform, Hulu.


Jade Solid Gold Annual Music Awards 2018

ITT has also partnered with Marc Cherry, creator of the successful, 8 season run show *Desperate Housewives*, to produce a new drama *Why Women Kill*, which centered around the lives of three women, living in different decades with the common thread of their desire to take revenge on lovers and husbands who have done them wrong. The show received an order from streaming platform, CBS All Access.

ITT is also in active negotiations for a network show, hoping to be released in the fall of 2019. With the ramp up of production in 2019, as well as the continuous fill of the development pipeline and partnership with top-tier talent, ITT is confident that their projects will see success and will continue to secure production greenlights throughout 2019.

SHAW BROTHERS HOLDINGS

TVB is co-investing with China Media Capital ("CMC") in Hong Kong listed Shaw Brothers Holdings Limited. TVB has an effective interest of 11.98%. Shaw Brothers Holdings is principally engaged in movie and entertainment-related businesses.

During the year, Shaw Brothers Holdings released two drama titles co-produced with leading Mainland China online platforms, namely, *Flying Tiger* with Youku Tudou, and *Guardian Angel* with iQiyi. These drama serials were also shown on TVB platforms and achieved good responses. A lunar new year musical comedy movie *I Love You, You're Perfect, Now Change!* was released in February 2019. Several movies and drama series, including *Line Walker 2* and *Flying Tiger II*, are in production stages and targeted for release in 2019.

FLAGSHIP ENTERTAINMENT GROUP

Together with CMC, TVB is co-investing in Flagship Entertainment Group with an effective 5.1% interest. Flagship Entertainment Group is headquartered in Beijing, and has Warner Brothers Entertainment and CMC among its shareholders. Two major movie titles *Hidden Man* and *The MEG* were released during the year.

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS


ANYWHERE
Scan to discover
TVB Anywhere

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

Our international businesses comprise programme licensing and distribution and overseas pay TV operations. To respond to the technological disruptions brought by the internet, we continued to transform our business models during the year. Increasing efforts are being devoted to marketing OTT services under TVB Anywhere brand for viewers as we began to diversify from the old B2B licensing model to B2C.

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution business, which comprises the distribution of TVB's programmes outside of Hong Kong through telecast and new media licensing, accounted for 19% of the Group's revenue. During the year, revenue from external customers under this business segment decreased by 9% from HK$955 million to HK$870 million. The decrease was mainly due to lower licensing income from Singapore and Vietnam, which was partially aided by the higher new media licensing income from Mainland China.

Affordability and convenience of high-speed internet have changed how viewers discover, access and consume media these days. Younger generation, in particular, opt for digital platforms for entertainment which gives them access to an abundant supply of global content any time and anywhere. This change in viewers' behavior, consuming contents from whether authorised or pirated digital sources, has disrupted the conventional high-APRU pay TV model of our overseas pay TV partners, causing high-churn rates and ultimately hurting TVB as a content provider. Confronting the evolving competitive landscape, we are proactively embarking on the new media ventures and playing to our strengths such as our strong bond with fans, brand trust and our dominance in home-grown content. TVB drama serials are always among the blockbuster online videos in our key traditional

TVB Anywhere SG Launching Party

markets. Diversifying from the limited-reach traditional licensing to a wide-open OTT distribution will help broaden the viewer's base and revenue potential in the long-run. Inevitably, this shift from traditional licensing arrangement to distribution proposition with multiple new media platforms brought an immediate impact to licensing income from overseas but an opportunity to develop our B2C platform. In Singapore, we confirmed a programme supply agreement with StarHub Cable Vision Limited ("StarHub") for a period of two years expiring in August 2020. With a set of relaxed supply terms, we are now free to work with any other networks operators, pursuing an expansion from subscription and advertising sources.

In Malaysia, our licensing income in 2018 remained steady as the existing programme supply agreement with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") stays valid till January 2020. During the year, pay TV operators in Malaysia continued to face economic downtrend and vigorous competitions from online platforms. Following the footsteps we took in Singapore, we are preparing ourselves to diversify from a B2B licensing model to a B2C distribution model via OTT. Our goal is to build a more resilient business model by broadening our distribution channel and capitalising on content specifically designed for the new media platforms and catering to the needs of the changing consumer behaviours.

In Vietnam, a three-year programme supply agreement with Saigontourist Cable Television Company Limited ("Saigontourist") was renewed at a lower rate in January 2018. TVB will continue to proactively collaborate with local partners on making choice content for our viewers in order to sustain our position in traditional markets.


TVB Power – Singapore Canvassing Event 2018

Gents Can Cook

REVIEW OF OPERATIONS

MAINLAND CHINA OPERATIONS

Operations from Mainland China mainly comprised co-production of dramas and licensing of TVB content to TV stations and online platforms. Total revenue from Mainland China rose by 38% from HK$530 million to HK$733 million (Note 5: geographical analysis), accounting for 16% of the Group's turnover (2017: 12%). This income growth was mainly fueled by robust growth in online video business in Mainland China as mega online players competing heavily for content and audiences. During the year, our income from co-production (booked under Hong Kong TV Broadcasting segment) and new media licensing (booked under programme licensing and distribution segment) had increased notably.

CO-PRODUCTION

Co-production arrangement provides a unique opportunity for TVB as a strong content creator to gain viewership in Mainland China market, leveraging on these established online platforms. Three drama titles, namely *Deep in the Realm of Conscience*, *The Defected* (soon-to-be released) both co-produced with Tencent; *Another Era* made for iQiyi; were delivered to the respective online partners, bringing us altogether HK$299 million of co-production income in 2018, a 61% increase from HK$185 million in 2017. Production budget and profit were increased following the robust stream views of the past co-produced titles. These titles were released concurrently in Mainland China and Hong Kong, which enabled us to benefit from the strong viewing momentum and online applause.

PROGRAMME LICENSING

With the continued growth in the digital new media sector, players in this market are aggressively aggregating more platform-exclusive content under licensing arrangements. Youku Tudou and TVB entered into licensing arrangements to release a selection of new TVB drama titles concurrently in Mainland China and Hong Kong. This in sync arrangement enables TVB to earn a higher licensing fee than the old model. Four new drama titles, namely *The Learning Curve Of A Warlord*, *Life On The Line*, *OMG Your Honour* and *Fist Fight* were licensed to Youku Tudou under this new arrangement during the year. Together with licensing income earned from other digital sources, total new media licensing revenue grew by 44% from HK$244 million to HK$352 million in 2018.

With a goal to closely engage with fans in Mainland China, Mai Dui Dui was launched by a Mainland China associate in March 2018. Mai Dui Dui is a mobile app which targets TVB fans and is a platform for fans to collect artistes' information, update and exchange TVB related information.

OVERSEAS OPERATIONS – OTT AND PAY TV

Segment revenue comprising income from pay TV platforms in the USA and TVB Anywhere OTT business, decreased by 7% year-on-year from HK$151 million to HK$140 million. The segment's losses were narrowed by 71% year-on-year from HK$53 million to HK$16 million as a result of rationalisation of resources with closure of certain operation in Australia. Further positive contribution is expected by an expansion of OTT service in Southeast Asia.

TVB ANYWHERE OTT SERVICE

TVB Anywhere service currently covers territories outside Hong Kong but excluding the USA, Mainland China, Taiwan and Malaysia. The rollout of TVB Anywhere in Australia, New Zealand, and Europe has successfully migrated our satellite TV subscribers to the OTT service. With a goal to form new business for a bigger slice of the expanding digital new media pie, we have formulated strategies to extend our service coverage from Chinese-speaking audience residing overseas to mainstream audience in selected territories such as Thailand and Vietnam by offering foreign language sound tracks. We hope to accelerate our OTT penetration in these markets by way of telco-supported B2B2C business model, tapping into local subscription and online-advertising spend.

We introduced a tailor-made TVB Anywhere Singapore mobile app in September 2018. Through partnering with the leading telcos in Singapore, namely StarHub, M1 and MyRepublic to resell our OTT app as value-added service and bundling service, we have potentially covered a very substantial size of mobile users in this market. To realign business resources with digital transformation goals, a local sales and marketing team has been built in Singapore to accelerate the development plan, growing revenue from both subscription and advertising sources.

In January 2019, TVB Anywhere announced partnership with M.V. Television (Thailand) Co. Ltd., a broadcaster and an OTT operator in Thailand to offer a Thai version of TVB Anywhere with several thousand hours of dubbed TVB programmes on VOD and live-streaming of TVB channels. Our collaboration with a major telco in Vietnam, Vietnamobile Telecommunication Joint Stock Company commenced in March 2019, under which a dedicated Vietnamese version of TVB Anywhere service was introduced.

In addition to the localised applications in above-named markets, a global version of TVB Anywhere will soon be released. This new app will offer multi-languages, multi-screen experience to users, enabling us to effectively serve the borderless, dynamic and fast-growing OTT market.

NORTH AMERICA (USA)

Our operation in the USA generates revenues from programme supply to conventional pay TV operators, new media platforms and advertising. The total revenue was relatively stable in 2018. The channel supply agreement with DISH network will expire in November 2019 and we look forward to servicing the existing users via their preferred platforms, whether traditional or digital.

COMBATING PIRACY

The global problem of online piracy of TVB contents remained rampant in 2018. We are committed to protecting our IPs and the industry by engaging proactive anti-piracy actions in our major overseas markets, with notable results.

In Australia, TVB made the first site-blocking application on illicit streaming devices ("ISDs") in the world and obtained a site-blocking order against 7 ISDs in September 2018. A Variation Application is being made to the Court to block the new domain names created by ISD syndicates to circumvent the blocks under the original court order. In December 2018, TVB and 8 other content owners successfully obtained a site-blocking order in Australia against 77 infringing websites. Similar site-blocking applications will continue in future.

In the USA, TVB succeeded in obtaining an injunction order against an ISD "TV Pad" in 2017. A follow-up application successfully extended the injunction order to a related ISD "Blue TV". In June 2018, "TV Pad" announced the closure of its global operation on "TV Pad" and "Blue TV". A similar injunction order against an ISD "HTV" was also obtained in 2018 and enforcement of the injunction order is in progress.

In Canada, TVB joined a coalition of TV broadcasters and content providers in early 2018 to lodge an application with the Canadian Radio-television and Telecommunications Commission for establishing an administrative site-blocking procedure. The Commission later declined the application on the ground of lacking jurisdiction over the matter. The coalition is considering other actions to tackle the online piracy problem, including appealing to the Government to update the copyright legislation.

In Singapore, TVB is in the process of filing a site-blocking application to court against ISDs and an infringing app. Discussions with ISPs are now progressing to work out a more effective technical arrangement for implementing the prospective site-blocking orders.

In Malaysia, TVB is considering to make a request to the Malaysian authorities for issuing an administrative site-blocking order against infringing websites and ISDs. Similar site-blocking actions are being planned for the UK and Macau.

For Vietnam, TVB has established a semi-automated procedure on reporting to websites for removal of infringing TVB contents. Substantial take-down rates were recorded monthly. A service contract was signed with the Vietnam's Authority of Broadcasting and Electronic Information ("ABEI") for reporting and taking down online infringing TVB contents. Very speedy removal actions were taken soon after the contract came into operation. A delegation from ABEI visited TVB City in October 2018 to gain a better understanding of the online piracy problem faced by TVB. ABEI pledged to offer their best assistance to TVB in combating piracy in Vietnam.

For Thailand, their copyright legislation has recently been strengthened and their enforcement authorities have stepped up actions against ISD syndicates. A meeting with the Thailand enforcement authorities is being planned to work out suitable arrangements to tackle the online piracy problem affecting TVB in Thailand.

In May 2018, Hong Kong Customs searched 4 ISD retail shops and arrested 8 persons who sold ISDs. The operation has created a significant deterrent effect in Hong Kong.

Efforts to lobby different governments for improving their copyright legislation to tackle the online piracy problem will continue.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF REPORT

The Board is pleased to present its Environmental, Social and Governance ("ESG") report for the year ended 31 December 2018. In parallel with the report and accounts for the same period, this report provides an overview of sustainability initiatives and investments, and our performance for the year ended 31 December 2018.

This report covers the operations of TVB in Hong Kong, comprising of terrestrial TV broadcasting and programme production at its base in Tseung Kwan O Industrial Estate and transmission sites around Hong Kong, and its digital new media business under MyTV Super Limited. The scope of this report does not cover companies in which TVB does not have a controlling interest. There has been no change in the scope of this report. For corporate governance matters, please refer to pages 94 to 115 of this Annual Report.

ESG GOVERNANCE

The Board is charged with the overall responsibility of overseeing ESG risks. To further its sustainability efforts, the Company established the Sustainability Steering Group ("SSG") in 2017. The SSG is chaired by the Group CEO and comprises three members of Senior Management of the Company, and holds regular meetings to discuss and formulate the major directions, as well as review the progress and effectiveness of our material topics in light of new trend in sustainability, challenges and our business goals. The SSG reports to the Risk Committee of the Board and covers under its remit matters enabling TVB to operate in a sustainable basis; to balance corporate, social, economic and environmental responsibilities, and to achieve a sustainable growth path; and to effectively manage its sustainability risks. The SSG is advised by a number of working groups at staff level covering social responsibility, training and development, materials, resources and waste.

The Risk Committee of the Board would handle all ESG related matters due to its on-going responsibility over the identification of risks. The Board does not currently think that a separate ESG committee can be justified at the current state of operation.

ESG Governance Structure

MATERIALITY ASSESSMENT

Programme production is the key activity of the Group. This process mainly requires the use of TVB owned indoor production studios and the production process takes place under a controlled environment. The SSG has assessed the materiality of the factors contributing to ESG, and has focused its work on two most significant issues:

- Environmental – the controlled use of electricity for our programme production; disposal of waste materials arising from production; and recycling of wood and other materials,
- Social – we ensure work safety in studios to minimise work related injuries and an overall safe and healthy environment for our offices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENTS

We recognise the importance of interacting with our stakeholders as an integral part of our business operations and corporate development. During the preparation of the ESG report, we made engagements with our key stakeholders to listen and to collect information relevant to our ESG initiatives. We regard the following as our major stakeholders:

- Shareholders and Investors;
- Customers;
- Employees;
- Government and Regulators;
- Business Partners;
- Suppliers and Contractors;
- Media;
- Local Communities and Non-governmental Organisations (NGOs);
- Industry Associations and Professional Bodies.

Our normal engagement channels with these major stakeholders include:

- Shareholders' meetings;
- Analysts meetings;
- Results presentations;
- Non-deal roadshows;
- Investor conferences;
- Financial report, announcement and circulars;
- Surveys;
- Training and workshops;
- Volunteer activities;
- Interview and meetings;
- Project collaborations;
- Public events;
- Site visits and home visits;
- Sponsorships and donations;
- Corporate websites.

ESG POLICIES

The Board has endorsed the following ESG policies:

Environmental	As the leading broadcaster in Hong Kong, TVB understands the environmental and the social impacts of its operations. It is committed to integrating environmental protection measures and community engagement into our business operation for the well-being of society.
Social	The Company's greatest asset is our employees who are essential to the continued success of the business. TVB strives to attract, nurture and retain talents by providing a caring and conducive work environment that encourages employees to fulfil their potential and recognises satisfactory performance. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy workplace.
Community Investment	Television has a significant social impact. TVB, as the predominant TV station in Hong Kong, has been taking an active role in promoting worthy causes and positive outlook on life using our programmes and artiste resources.

THE ENVIRONMENT

The Company began ESG reporting in the 2016 Annual Report, adopting the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules issued by The Stock Exchange of Hong Kong.

Management is mindful that everything we do would have an impact on our environment. Emissions and energy consumption are the two ESG aspects that are considered material to our operations. Our environmental efforts are focused on minimising emission, saving energy, encouraging recycling and waste management.

We assess our environmental performance by calculating the intensity of ESG issues based on our local production hours. In 2018, the local production hours totalled 23,310 hours (2017: 23,659 hours).

The following table summarises the key indicators that are material to us as we measure our environmental performance. The data for 2016, 2017 and 2018 have been prepared based on the same methodology such that a meaningful comparison of data between the years can be performed.

KPIs

		Type	2018		2017		2016	
			Total	Intensity	Total	Intensity	Total	Intensity
Emissions	A 1.1	Air Emissions (SO_x) (kilogrammes) (ref: diesel & petrol consumed by vehicles)	**–**	**4.28**	–	4.56	–	4.61
	A 1.2	Greenhouse Gas (tonnes of CO_2e) (ref: diesel & petrol consumed by vehicle & generator; electricity; water)	**23,151.08**	**0.99**	27,063.90	1.14	27,575.35	1.25
	A 1.3	Hazardous waste (tonnes) (ref: used paint cans; lubricant oil by vehicle)	**25.42**	**0.0011**	28.32	0.0012	26.41	0.0012
	A 1.4	Non-hazardous waste: disposed in landfill (tonnes) (ref: waste wood; waste props; general refuse)	**2,525.50**	**0.1083**	2,388.00	0.1009	2,256.50	0.1019
	A 1.4	Non-hazardous waste: recycled (tonnes) (ref: printing cartridges; recyclables (paper, paper cardboard, aluminum cans and plastic bottles))	**100.24**	**0.0043**	107.92	0.0046	100.98	0.0046
	A 1.4	Total non-hazardous waste (tonnes) (ref: waste wood; waste props: general refuse; recyclables)	**2,625.74**	**0.1126**	2,495.92	0.1055	2,357.48	0.1064
Use of Resources	A 2.1	Direct energy consumption (kWh) (ref: diesel & petrol by vehicle & generators)	**2,694,400.98**	**115.59**	2,863,396.02	121.03	2,920,060.09	131.84
	A 2.1	Indirect energy consumption: (kWh) (ref: electricity)	**43,743,738.00**	**1,876.63**	48,464,151.00	2,048.49	49,383,865.00	2,229.72
	A 2.1	Total energy consumption (kWh) i.e. direct energy & electricity	**46,438,138.98**	**1,992.22**	51,327,547.02	2,169.52	52,303,925.09	2,361.56
	A 2.2	Water consumption (cubic metres)	**110,018.00**	**4.72**	112,013.00	4.73	109,492.00	4.94

Awarded the Smart Energy Outstanding Award of Smart Energy Award programme by China Light & Power

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMISSIONS

Greenhouse Gas ("GHG") emission constituted a large part of total emissions. This is being contributed by emission from the Company's own fleet comprising of motorcycles, passenger cars, private buses, light and medium goods vehicles for outdoor shooting, electricity and water consumption. It was recorded at 23,151.08 tonnes of CO_2e with an intensity of 0.99 tonnes per production hour in 2018, representing a decrease of 14% when compared to 2017. It was attributable to the reduction in fuel and electricity consumption by about 5.9% and 9.7% respectively. Wood was massively consumed for producing studio set and props. For 2018, the non-hazardous waste disposed in landfill was 2,525.5 tonnes and the intensity was 0.1083 tonnes per production hour. Total non-hazardous waste, including waste wood, general and recyclable refuse, was 2,625.74 tonnes in 2018. The intensity was 0.1126 tonnes per production hour.

ENERGY CONSUMPTION

Energy consumption is composed of direct energy consumption, including diesel and petrol used by vehicles and generators, and indirect energy consumption such as electricity.

Diesel and petrol are mainly consumed by vehicle fleet and mobile generators deployed to support location shooting. The Company has a fleet of 87 vehicles including private cars, buses, light and medium goods vehicles as well as motorcycles. The direct energy consumption was 2,694,400.98 kWh and intensity was 115.59 kWh per production hour.

Electricity, which took up the largest share of indirect energy consumption, is mainly used in lighting and air-conditioning in studio production as well as maintaining broadcasting service. 43,743,738 kWh was consumed in 2018, a 9.7% decline when compared to the previous year. The intensity was 1,876.63 kWh per production hour. The result was encouraging and it proved that our energy efficiency projects were effective.

MEASURES

We continued to focus on enhancing energy efficiency and increasing employee awareness of energy saving measures.

To further monitor and enhance energy efficiency, the Company completed Phase II installation of the Energy Management System ("EMS") for Central Control and Monitoring System ("CCMS"), which was put into operation in November 2018. To lower electricity consumption in 2018, we further replaced one set of water-cooled chiller unit by a high-energy-efficient model equipped with an auto-tube-cleaning system which was put into operation in March 2018. Also, we replaced one set of high-energy-efficient air-cooled chiller unit which was put into operation in March 2018. Security officers conducted spot checks to ensure an average indoor temperature of 25.5 degree celsius was maintained. Non-essential lights and elevators were switched off during late hours. Also, the Company launched a renewable energy project by installing a 9.6 kW solar panel system on the flat roof of an office building. It was put into operation in November 2018.

A vehicle replacement scheme is in place. Around 59.8% of the Company's cars were Euro V compliant. Two electric vehicle chargers were installed at carpark to facilitate recharge of electric cars by staff.

We have implemented several programmes to reduce our hazardous and non-hazardous waste. We continued to use low volatile-organic-compounds ("VOC") paint for fitting-out and maintenance in TVB City to reduce air pollution. Used paint cans were disposed of and collected by licensed waste collector. The Company continued the practice of purchasing from suppliers who can provide wood materials harvested from sustainably managed forests as certified by the Programme for the Endorsement of Forest Certification ("PEFC"). Employees were encouraged to adopt double-sided printing and A5 format for printing scripts. Starting from 2018, our copier papers were provided by Forest Stewardship Council ("FSC") certified suppliers. To increase recycling awareness, the Company added waste separation bins to collect waste metals and plastics on various floors of the office buildings inside TVB City. The waste was collected regularly by recycling agents. Also, the Company maintained a 100% recycling of used toner cartridges in 2018 by collecting and returning all used cartridges to recycling agents.

The Group's Purchasing Policy and Principles are in place to source sustainable products and services from reliable suppliers and contractors. The Company will continue to encourage its business partners to adopt environmental protection measures.

Our contributions to environmental protection were recognised again in 2018. The Company was awarded the Smart Energy Outstanding Award of Smart Energy Award programme by China Light & Power ("CLP") for our effort in energy saving and upgrading energy efficiency through smart technology.

Electric vehicle charging station at TVB City

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We continued to participate in CLP's Automated Demand Response Programme and obtained rebates in recognition of our energy-saving efforts in 2018. Also, the Company continued to receive the Energywi$e Certificate and Wastewi$e Certificate under the Hong Kong Green Organisation for its energy saving and waste reduction efforts.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Insofar as air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the production process, the Company is in compliance with Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358), Waste Disposal Ordinance (Cap. 354) and Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) implemented by the Environmental Protection Department.

PLANS FOR 2019

To enhance our energy efficiency effort, we will further upgrade the water-cooled and air-cooled chiller units by a high-energy-efficient model chiller in 2019. We will replace 15 sets of traditional split air-conditioning units with inverter type high-energy-efficient units. Besides, we will replace over 230 sets of traditional T8 fluorescent lights with LED light fittings with SMART control at our props store. To further improve our carbon footprint, electric cars and hybrid vehicles will be actively considered during vehicle replacement in 2019. We will continue to explore ways of using recycled papers instead of new copier papers for copying machines.

The Company is confident that the SSG will continue to put forward initiatives, enabling the Company to reduce its environmental impact and foster a sustainable global environment.

SOCIAL

The Company's greatest asset is our employees who are essential to the continued success of the business. TVB strives to attract, nurture and retain talents by providing a caring and conducive work environment that encourages employees to fulfil their potential and recognising satisfactory performance. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy workplace.

EMPLOYMENT AND LABOUR PRACTICES

As of 31 December 2018, the Group had a total of 4,041 full time staff and artistes, of which 3,954, representing 98%, were employed in Hong Kong, while about 2% was employed by our overseas subsidiaries. They were paid on scales and systems relevant to the respective localities and legislations. The Company complies with the existing laws and industry regulations with regard to the terms of employment.

The employment of children is at times necessary due to television production requirements. The Company complies with the Employment of Children Regulations under the Employment Ordinance and obtains permission for the employment of child artistes.

BENEFITS

Full-time employees are entitled to the Mandatory Provident Fund scheme, seven days of matrimonial leave, 10 weeks of maternity leave and five days of paternity leave (effective January 2019) on full basic salary, a maximum of 120 days fully paid sick leave, and group medical and life insurance coverage. Employees' family members are also entitled to access the family dental dependent medical scheme coverage at special rates.

All new hires are given the Employee Handbook to familiarise them with personnel policies, allowances, staff benefits, company facilities and security matters.

COMMUNICATION

The Company maintains an open dialogue with its staff to understand their needs. Monthly newsletters and the Intranet offer effective channels for staff to share their views and understand the Company's policy. An ombudsman scheme has been set up to listen to staff suggestions and to handle their grievances. Employees can also use the Company's whistleblowing system to raise concerns, in confidence, about possible improprieties.

HEALTH AND SAFETY

The Company takes a proactive approach to safety management. To ensure a safe working environment, employees are required to strictly observe the safety standards and procedures under the Company's Safety Management Policy. Operational guidelines and safety measures for installation of equipment, building management and production set-up are distributed to employees and contractors concerned. A safety committee has been established to identify and review measures to improve occupational health and safety. Annual safety audit and monthly safety inspections were conducted with satisfactory results. Also, 16 training courses on workplace risk assessment and occupational or personal safety were organised during the year. Information on occupational safety was published in the Company's newsletters from time to time to raise safety awareness among staff. Measures will continue to be taken to inculcate an awareness among employees of the importance of safety.

There was no fatal accident in 2018. During the year, 96 reported cases of accidents or incidents occurred, resulting in 92 injuries amongst employees. Investigations were carried out to identify the causes of the accidents and immediate arrangements were put in place to prevent future recurrence.

The Company continued to implement measures to improve air quality in the workplace. Apart from the continued use of electronic air-purifiers, the Company conducted regular cleaning of the air-filters and cooling-coils of more than 2,000 fan coil units in TVB City to improve Indoor Air Quality ("IAQ"). We continued to achieve very encouraging results with six blocks of building in TVB City attaining the "good" air quality classification under the Environmental Protection Department's IAQ Certification Scheme for Offices and Public Places.

The Company strives to provide a safe working environment. We proactively used low volatile-organic-compounds paint for fitting-out and maintenance around TVB City. Catalyst air purification was conducted every time after the completion of fitting-out works to remove VOC and reduce employees' exposure to pollutants. To prevent the spread of flu, the Company conducted disinfection and sterilisation in production studios to kill viruses and bacteria. In view of the dengue fever outbreak in Hong Kong, we took immediate action by arranging two massive mosquito-control works and placing new mosquito trapping devices at outdoor shooting sites in TVB City.

We promote work-life balance by encouraging employees to take part in sporting and recreational activities. During the year, the Company organised a total of 25 sports and recreational/leisure activities, including basketball, dragon-boat racing, eco-tours and exhibitions.

The Company complies with the existing laws, including the Employment Ordinance, the Employees' Compensation Ordinance, the Minimum Wage Ordinance, the Discrimination Legislation, Data Privacy Law, industry regulations and the policy of Equal Opportunities in Employment.

Basketball Competition


Dragon Boat Racing

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TRAINING AND RECOGNITION

Employee development is a key priority for us. We continued to invest in staff and artistes training to maintain a workforce relevant to our business needs.

During the year, a three-month artiste training course was organised for more than 20 artistes. On the creative side, a two-year creative training programme was launched for seven new recruits.

Seminars and courses on subjects of IT, newly upgraded computer systems, management skills, and other related studies are regularly organised either in-house or with vocational institutions to help our staff develop their skill sets. In 2018, we provided 117 training classes totalling 5,430 hours of training.

We continued to organise a two-year Executive Trainee Programme to nurture competent TV professionals. Two trainees were recruited in 2018 and rotated around various departments, paving their way for managerial positions in the future.

Recognition programme is in place to reward outstanding and loyal employees. In 2018, our employees received discretionary bonuses roughly in the amount of their basic monthly salaries to serve as incentive for good performance and hard work. During the year, 12 employees were recognised for their superb performance under the Outstanding Employee Award Scheme. They received monetary prizes and paid leave. In recognition of the loyalty of our staff, employees were entitled to the Long Service Award for every 10 years of service and received gold mementos as souvenirs. As a gesture of appreciation for hard work, all employees were treated to a sumptuous basin feast at year-end. About 4,300 staff and artistes participated in the two-evening event.

TVB Giant Basin Feast 2018

Long Service & Outstanding Employee Grand Awards Presentation Ceremony 2018

An analysis of the Group's workforce as at 31 December 2018 and 2017 is as follow:

		TVB Group	
		2018	**2017**
B1.1	**Total workforce by gender, employment type, age group and geographical region**		
	Number of employees	**4,041**	4,436
	By gender		
	Female	**1,624**	1,767
	Male	**2,417**	2,669
	By age group		
	Below 30	**946**	1,098
	30-50	**2,216**	2,392
	Over 50	**879**	946
	By region		
	Hong Kong	**3,954**	4,295
	Overseas	**87**	141
	By employment contract		
	Permanent	**3,377**	3,714
	Fixed term	**664**	722
B1.2	**Employee turnover rate by gender and geographical region**		
	Number of employee turnover	**1,021**	685
	By gender		
	Female	**474**	342
	Male	**547**	343
	By region		
	Hong Kong	**953**	622
	Overseas	**68**	63
	Number of new hires	**626**	872
	By gender		
	Female	**331**	442
	Male	**295**	430
	By region		
	Hong Kong	**612**	800
	Overseas	**14**	72
B2.1	**Number and rate of work-related fatalities**	**–**	–
B2.2	**Lost days due to work injury**	**2,458**	3,587

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

As a public body, TVB is governed by the Prevention of Bribery Ordinance. The Company has promulgated purchasing policies and procedures prohibiting employees from soliciting or accepting advantage from contractors, suppliers or people connected with our business. Circulars are issued periodically to remind staff and suppliers of our anti-corruption policy, particularly before festive seasons. The Company is in compliance with the Prevention of Bribery Ordinance.

SUPPLY CHAIN MANAGEMENT

The Group's Purchasing Policy and Principles is in place which provides guidance on the sourcing of sustainable products and services from reliable suppliers and contractors that comply with local regulations governing the labour and environment.

PRODUCT RESPONSIBILITY

As a domestic free TV programme service licensee, TVB is required to comply with the Broadcasting Ordinance, the Telecommunications Ordinance, Licence Conditions, and Codes of Practice relating to Programme, Advertising and Technical Standards. The Company's Legal & Regulatory Department acts as a gatekeeper to ensure that our programme services comply with the relevant statutory requirements. In 2018, five complaints deliberated by the Communications Authority ("CA") were substantiated; three of them concerned indirect advertising.

The CA has relaxed the regulation of indirect advertising in television programme services with effect from 27 July 2018. TVB will monitor closely whether the new measure can truly allow a more conducive business environment and provide flexibility for the broadcasting industry to generate more advertising revenue.

With regard to the judicial review applications against two previous CA's rulings in 2016 on indirect advertising, the cases were heard in High Court in May 2018. Judgment was reserved.

PRIVACY

The Company recognises the importance of privacy and will not in any event disclose stakeholders' information


Mid-Autumn Festival Celebration Lunch

The Winter Solstice Food Donation Project without their consent, unless required to do so by law. There were no incidents or substantiated complaints concerning breaches of customer privacy or losses of customer data in 2018.

COMMUNITY INVESTMENT

Television has a significant social impact. TVB, as the predominant TV station in Hong Kong, has been taking an active role in promoting worthy causes and positive outlook on life using our programme and artiste resources.

STAKEHOLDER ENGAGEMENT

TVB has been striving to provide the best entertainment and information services to our viewers, our most important stakeholders. Continuous efforts have been made to raise quality of our TV programmes and enhance viewing experience. Confronted with technological innovation and changing viewing habits, the Company has succeeded in transforming itself from a traditional broadcaster into a multi-platform television station amalgamating broadcast TV, OTT TV and social media. The OTT service myTV SUPER, launched in April 2016, was a notable success. It now has more than seven million registered users who can watch their favourite TV programmes at any time, from anywhere, and on any device.

We maintain effective communication with our viewers through audience hotline, emails, letters and fax. In 2018, 39,425 enquiries, 3,233 suggestions and comments, 750 commendations, and 55 complaints were received. Our programme hotline, which provided pre-recorded information on Jade and Pearl's prime time programme schedule, received 14,155 calls from viewers during the year. Public Viewing Panel, the consultative organisation formed in 1991, facilitates collection of members' opinions of our programmes and services. The Panel has more than 1,200 members from all walks of life. During the year, the focus group meeting and annual gathering attended by about 80 and 360 members respectively were held. Colleagues from various departments/subsidiaries such as Production Division, Programme Division, News & Information Services Division and MyTV Super Limited attended the events and listened to first hand views of the members. Management staff and senior executives hosted the Question-and-Answer session to respond to members' enquiries and exchange views on the programme development of the Company. Opinions collected therein were analysed and channeled to the departments concerned for their reference in formulating production and scheduling plans.

Public Viewing Panel

Country Parks Hiking and Planting Day

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROGRAMMES ON SOCIAL AND CIVIC RESPONSIBILITY ISSUES AND FUND RAISING

TVB regularly promotes positive actions on social and civic responsibility issues through its programmes.

During the year, nine fund raising/charity programmes were telecast, including *Tung Wah Charity Show 2018, Gala Spectacular 2018, Yan Chai Charity Show 2018,* and *Community Chest Charity Show 2018*. These shows helped raise around HK$355 million for charity organisations in support of a wide range of worthy causes, including a record-breaking HK$121 million for the Tung Wah Charity Show 2018. Cumulated funds raised over the years have exceeded HK$5.6 billion.

As a licensing condition, the Company provides free airtime to broadcast government publicity messages, including Announcements in the Public Interests (API) and TV publicity materials by the Communications Authority. In 2018, publicity messages totalling more than 1,000 hours were broadcast on our free digital and analogue TV channels.

COMMUNITY ENGAGEMENT

We are committed to serving the community and the underprivileged. With the support of our staff and artistes, we took part in a total of 55 community activities in 2018. Noteworthy ones included the annual Charity Sale of Cookies, Life Buddies Mentoring Scheme, Project WeCan, Walk for Millions and Neighbourhood New Year Gathering Lunch.

TVB VOLUNTEER TEAM

The TVB Volunteer Team, established in 2016, now has 144 members. During the year, the team participated in 19 activities including visiting the elderly and the underprivileged as well as tree planting, delivering 1,115 hours of volunteer services. Our community efforts were recognised with the Gold Award for Volunteer Service (Organization) at the Volunteer Movement of the Social Welfare Department in 2018.

In recognition of our continued efforts in caring for the community, employees and the environment, the Company was awarded the "15 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service. Also, the Company was awarded the Age-friendly City Appreciation Scheme – Bronze Star Award by the Hong Kong Council of Social Service for its continued contribution to the elderly by providing infotainment programmes and arranging community events for the elderly. The Company received the Silver Award of Give Blood Alliance (Big Alliance) from The Hong Kong Red Cross Blood Transfusion Service for our strong participation in blood donation.

Charity Sale of Cookies

TVB Volunteer Team took part in Life Buddies Mentoring Scheme

2017/2018 Hong Kong and Kowloon Walk for Millions

CHARITIES

The TVB, Staff and Artistes Fund for Charities was established in 2013 to provide aid to victims of calamities, the poor, and the elderly. Working with non-governmental organisations, the Social Welfare Department, and the Labour Department, the Fund has allocated a total of HK$11,208,756 to help those in need over the years. In 2018, subsidies totalling HK$1,225,930 were granted to 116 cases. In addition, HK$885,864 was donated to sponsor three charitable projects, benefitting 9,180 people.

NURTURING NEW TALENTS FOR THE INDUSTRY

Since 1979, the Company has been providing scholarships to outstanding university students attending courses in journalism, communication, movie, and television. In 2018, 12 students from four universities received grants totalling HK$145,000. The Company also provided a HK$10,000 scholarship to the Hong Kong School Music and Speech Association in support of music talents.

The Company continued to partner with education institutions to organise internship programmes for students to gain exposure and practical experience in TV production and broadcasting. In 2018, 71 interns from 29 local and overseas higher education institutions as well as secondary schools were placed at various departments, such as News & Information Services Division, Programme Division, Art Department and Programme Development Sub-division.

As part of our commitment to nurturing new talents for the broadcasting industry, the Company organised the TVB Inter-Collegiate Documentary Competition for the fifth consecutive year. It gave tertiary students of relevant disciplines an opportunity to practise television production in accordance with industry standards. In 2018, eight universities and colleges participated in this competition.

During the year, about 170 secondary school students and 30 teachers visited TVB City through an event jointly organised with the Journalism Education Foundation.

PLANS FOR 2019

The Company will continue to deploy our programme and artiste resources to promote and support worthy social causes.

TVB Inter-Collegiate Documentary Competition

FINANCIAL REVIEW

Since 2015, the Group has been undergoing transformation from a conventional TV station to one incorporating multiple digital platforms, and enhancing production quality of drama programmes. To achieve these objectives, the Group had increased headcount under new businesses, including myTV SUPER, Big Big Channel, Big Big Shop and the revamped TVB Finance & Information Channel (Channel 85) which created some pressure on operating costs. To re-align with business direction, we examined the operations of certain areas of operation during the year, which included broadcasting; international licensing; and publications, and as a result, rationalised headcount and operating costs.

For the year ended 31 December 2018, revenue of the Group increased from HK$4,336 million to HK$4,477 million, an increase of 3%. Cost of sales increased from HK$2,320 million to HK$2,336 million, an increase of 1%. As a result, gross profit amounted to HK$2,141 million (2017: HK$2,016 million), an increase of 6%, and the gross profit percentage was 48% (2017: 47%).

Cost of sales increased from HK$2,320 million to HK$2,336 million, an increase of 1%. Included in cost of sales were the cost of programmes and film rights which amounted to HK$1,810 million (2017: HK$1,748 million). Higher costs of self-produced dramas (partly to support the production costs of the three co-production drama titles), increased content costs for myTV SUPER and a full year of operation of the Big Big Channel business resulted in increase in costs during the year. Such additional costs was partially offset by costs reduction after operations streamlining.

Selling, distribution and transmission costs for the year amounted to HK$758 million (2017: HK$724 million), an increase of 5%. This increase was mainly attributed to business expansion of myTV SUPER service and Big Big Channel platform, the launch of e-commerce business, Big Big Shop, and movements in some cost provisions.

General and administrative expenses for the year amounted to HK$967 million (2017: HK$903 million), an increase of 7%, which was mainly attributable to the business development of the new digital platforms.

An impairment loss provision for trade receivables of HK$26 million was made during the year according to the Group's past history, existing market conditions as well as forward looking estimates at year end.

During the year, impairment charges and fair value loss in a total amount of HK$526 million was recognised against bonds issued by SMI Holdings Group Limited ("SMI" or "SMI Group") and China Energy Reserve and Chemicals Group ("CERC") in the aggregate nominal amounts of HK$924 million.

Gain on disposal of investment properties in 2018 was relating to the sale of two floors of an investment property in Taipei which were considered as non-core assets. After this disposal in 2018, the Group is retaining the remaining two floors in the same block for operation of Big Big Channel in Taiwan and for property investment.

Interest income is generated from financial assets of the Group which comprised (i) an investment portfolio for treasury management purposes[14] totalling HK$3,113 million (2017: HK$775 million), and (ii) a promissory note to a joint venture company, Imagine Tiger Television LLC ("ITT"), in the amount of US$66.7 million (2017: US$66.7 million) at the interest rate of 12% per annum ("Promissory Note"). During the year, the Group recorded an increase in interest income from HK$118 million to HK$255 million, an increase of 116%, which was driven by the increase in the size of the investment portfolio since the beginning of 2018 and the full year interest effect of the Promissory Note. The interest income from the investment portfolio was HK$140 million (2017: HK$40 million) and the interest from the Promissory Note was HK$66 million (2017: HK$27 million).

[14] classified as financial assets at amortised cost and financial assets at fair value through profit or loss in the Consolidated Statement of Financial Position at 31 December 2018

The Group suffered net exchange losses of HK$25 million during the year (2017: net exchange gain of HK$19 million). These exchange losses were related to the re-translation of various foreign currencies such as Malaysian Ringgit and Renminbi into Hong Kong Dollars and were recorded as other losses in the Consolidated Income Statement. In addition, the Group incurred losses on movie and drama investments totalling HK$28 million during the year.

On 23 January 2018, the Company announced that it will not proceed with the share buy-back offer which was previously announced on 24 January 2017. As a result of this decision to abort the transaction, professional fees in relation to the offer totalling HK$29 million were written off in the Consolidated Income Statement in 2017.

Finance costs for the year amounted to HK$128 million (2017: HK$152 million) which were mainly attributed to the net interest costs of the US$500 million 3.625% notes due 2021 (“TVB Notes”). The presentation of finance costs on a net basis was made to mirror the netting off of the amount of TVB Notes issued less the amount held by the Company as a single item on the Consolidated Statement of Financial Position.

The Group absorbed losses of the joint venture, ITT, of HK$115 million during the year (2017: HK$32 million, since the commencement of operation in July 2017). During the initial years of development, ITT was at the preparatory stage for production of its TV slate for US networks, and as a result, reported losses of HK$115 million for the year. These losses of ITT included interest expenses of HK$66 million on the Promissory Note (US$66.7 million at 12% per annum) paid to the Group during the year. This interest income earned by the Group was booked under interest income in the Consolidated Income Statement for the year.

Loss before income tax for the year amounted to HK$124 million (2017: profit before income tax of HK$358 million), which was mainly due to the impairment charge and fair value loss of SMI bonds of HK$500 million during the year.

The Group’s taxation charge amounted to HK$53 million (2017: HK$94 million), a decrease of 44%, which arose from an over-provision of income tax expense from Hong Kong TV broadcasting relating to prior year after confirming the tax deductibility of certain finance costs. Whilst the profits tax rate for Hong Kong remains at 16.5%, the Group’s major subsidiaries operate in overseas countries whose effective rates vary from 0% to 30%.

Adjusted EBITDA[15] (excluding non-recurring items) decreased from HK$821 million in 2017 to HK$809 million in 2018, a decline of 2%.

[15] Adjusted EBITDA means profit/loss for the year before finance costs, income tax expense, depreciation and amortisation, share of results of joint ventures/associates, interest income, impairment loss/reversal of impairment loss on bond securities at amortised cost and trade receivables, fair value adjustments on financial assets at fair value through profit or loss, gain on disposal of investment properties and professional fees incurred for the aborted share buy-back offer. Adjusted EBITDA is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards. The computation of the Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

(LOSS)/EARNINGS PER SHARE

Overall, the Group's loss attributable to equity holders for the year totalled HK$199 million (2017: profit of HK$243 million), giving a basic and diluted loss per share of HK$0.45 (2017: earnings per share of HK$0.56).

SEGMENT RESULTS

Segment	Hong Kong TV broadcasting	myTV SUPER	Big Big Channel business	Programme licensing and distribution	Overseas pay TV and TVB Anywhere	Other activities
Nature of revenue	Advertising revenue and production income from co-production drama serials	Subscription and advertising revenue	Advertising revenue; sales commission; fees for event management; music royalties and licensing income	Licensing income from telecast, video and new media distribution	Subscription and advertising revenue	Revenue from magazine publication and movie investments

Segment revenue from Hong Kong TV broadcasting's external customers increased from HK$2,818 million to HK$2,923 million, an increase of 4%, which was fuelled by the increase in production income relating to the three co-production drama serials from HK$185 million to HK$299 million. However, advertising income from terrestrial TV channels in Hong Kong alone reported a slight decrease from HK$2,459 million to HK$2,440 million, a decrease of 1%. Overall, this segment reported a gain before non-recurring impairment charge/fair value loss of HK$173 million (2017: HK$165 million).

Segment revenue from myTV SUPER's external customers increased from HK$280 million to HK$402 million, an increase of 43%, due to the increase in advertising revenue through the growth in consumption of content on this platform. This segment reported a gain of HK$16 million which turnaround from a loss of HK$85 million last year.

Segment revenue from Big Big Channel business's external customers increased from HK$44 million to HK$87 million, an increase of 98%. More advertising income was generated from the online social media platform, Big Big Channel during the year. However, owing to upfront costs required for the development of Big Big Channel and the launch of Big Big Shop, this segment recorded a net loss of HK$19 million (2017: a net loss of HK$11 million).

Segment revenue from programme licensing and distribution's external customers decreased from HK$955 million to HK$870 million, a decrease of 9%. The decrease in revenue was mainly attributable to the lower license fee from Singapore and Vietnam in the amount of HK$147 million, as a result of changes in the terms of the new supply contracts, which partially offset the growth of new media licensing revenue from Mainland China of HK$107 million. The licensing income from Malaysia remained relatively steady during the year. As a result, the segment profit decreased from HK$504 million to HK$414 million, a decrease of 18%.

Segment revenue from overseas pay TV and TVB Anywhere's external customers decreased from HK$151 million to HK$140 million, a decrease of 7%. As the transition from the old pay TV model to OTT is in progress and impact of piracy is still on-going, revenue for this segment was under pressure. In adopting this OTT model, the business structure was changed such that the main operation of the overseas OTT service is now performed in Hong Kong as opposed to overseas under the pay TV model. The cost base has been lowered. As a result, the segment loss narrowed from HK$53 million to HK$16 million during the year, a decrease of 71%.

External revenue from other activities recorded a decrease from HK$88 million to HK$54 million, a decrease of 38%, due to the cessation of circulation of TVB Weekly in October 2018. As a result, this segment recorded a loss before non-recurring income of HK$17 million (2017: profit of HK$6 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2018. Total equity stood at HK$6,307 million (2017: HK$7,157 million). There has been no change in the share capital of the Company, i.e. 438,000,000 ordinary shares were in issue at the year end.

CASH AND TREASURY MANAGEMENT

At 31 December 2018, the Group had restricted cash of HK$1 million (2017: HK$4,307 million). Following the decision to abort the share buy-back offer in January 2018, the cash previously earmarked for the transaction was released.

At 31 December 2018, the Group had unrestricted bank and cash balances of HK$1,269 million (2017: HK$893 million). Out of total bank deposits and cash balances held by the Group, 39% were in US dollars, 17% in Hong Kong dollars, 24% in Renminbi and 16% in New Taiwan dollars. About 58% of the unrestricted bank and cash balances (approximately HK$730 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations was placed as time deposits.

Under an approved Investment Guidelines, the Company maintains a portfolio of fixed income securities which are held-to-maturity for yield enhancement. Such fixed income securities are selected from bonds issued by listed companies or PRC state-owned companies, taking into account business sector; coupon rate and yield-to-maturity; currency; and maturity dates. This investment portfolio is monitored by the Investment Committee of the Board on a continuous basis which can make recommendation for changes, if and considered necessary, to the Executive Committee. The Investment Committee would ensure that the investment objectives as laid down are fulfilled.

As at 31 December 2018, the Company's portfolio of fixed income securities which were held to maturity amounting to HK$2,463 million (2017: HK$775 million). These fixed income securities (classified under "Financial assets at amortised cost") were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield-to-maturity of 5.67% per annum (2017: 6.03%) and have maturity dates ranging from 28 July 2019 to 1 October 2027. The investment portfolio is made up by a total of 45 (2017: 18) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 2.7% (2017: 1.7%) of the total assets of the Group as at 31 December 2018. The interest received during the year from the financial assets at amortised cost amounted to HK$109 million (2017: HK$40 million).

As set out in Note 13 to the consolidated financial statements, CERC had defaulted the payment of the principal of a bond ("2018 CERC Bond") due in May 2018 and as a result, this triggered a cross default for another bond held by the Group ("2019 CERC Bond") due in January 2019. The aggregated nominal amount of the 2018 CERC Bond and the 2019 CERC Bond amounted to US$12 million. CERC is a state-owned oil and gas trading, logistics and distribution and supply services provider in China. During the year, the coupon payment was received from CERC accruing up to 20 December 2018. Based on the review report of the financial condition prepared by FTI Consulting (Hong Kong) Limited, the financial advisor appointed by CERC, management believes that CERC has both the intention and ability to settle the outstanding balances. However, as the repayment schedule of CERC Bond would be extended in accordance with the debt restructuring plan of CERC, an impairment loss of HK$26 million was made to reflect the delayed repayment of 2018 and 2019 Bonds' principals.

SMI BONDS

The Group had entered into subscription agreements for US$23 million 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) ("Fixed Coupon Bonds") and US$83 million 7.5% secured redeemable convertible coupon bonds due 2020 (extendable to 2021) ("Convertible Bonds" and together with the Fixed Coupon Bonds, the "SMI Bonds"), both issued by SMI, a company listed in Hong Kong. The Fixed Coupon Bonds and the Convertible Bonds were classified under "Financial assets at amortised cost" and "Financial assets at fair value through profit or loss" respectively as at 31 December 2018.

The Convertible Bonds are collateralised on a share charge over the entire issued share capital of SMI International which holds 41.34% of the registered capital of Chengdu Runyun Culture Broadcasting Limited, a sino-foreign equity joint venture established in the PRC with limited liability ("Chengdu Runyun"). Chengdu Runyun is principally engaged in the operation and the management of movie theatre business of SMI in the PRC.

Trading in the shares of SMI has been suspended on The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 3 September 2018 upon the request of SMI. As result of this trading suspension, the SMI Bonds have defaulted. Pursuant to SMI's announcement dated 12 March 2019, it has commenced a debt restructuring process, including prospective conversion of outstanding debts into equity, and raising of capital by prospective subscription of new shares of SMI.

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

In addition, the Company performed a fair value assessment of the Convertible Bonds in respect of the debt and equity conversion features, together with the collateral pledged against the Convertible Bonds. As a result of the assessment performed on the Fixed Coupon Bonds as described in Note 13(b) and the suspension of the trading of SMI's shares, the Company considered that the debt and equity conversion features of the Convertible Bonds would have a minimal value. Therefore, the Company has determined to perform a fair value assessment on the collateral. The Company has engaged an independent external valuer to perform a valuation of the Chengdu Runyun group using the discounted cash flow model under the income approach, which is further described in Note 14. The fair value assessment has adopted certain key operating assumptions provided by SMI, including number of cinemas, cinema attendance rates, ticket price, market discount rate and terminal growth rates. Based on the fair value assessment, the Group recognised a fair value loss of HK$320 million against the Convertible Bonds for the year ended 31 December 2018.

In aggregate, a total impairment charge/fair value loss has been made in the amount of HK$500 million in relation to the SMI Bonds.

The Company considered that the information used in the above assessment represented the best available estimates despite the lack of latest financial and other information of the SMI Group and Chengdu Runyun group. The Company expects the SMI Bonds are to be realised more than 12 months after 31 December 2018.

TVB FINANCE LIMITED

As at 31 December 2018, the Company held US$112 million in nominal value of US$500 million 3.625% Notes due 2021 issued by TVB Finance Limited. This holding in TVB Notes was presented and netted off against the liabilities of TVB Notes under "Non-current borrowings" on the Consolidated Statement of Financial Position.

OTHER ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables from third parties amounted to HK$1,895 million (2017: HK$1,588 million), an increase of 19% over the last year end. Receivables from new media licensing revenue from Mainland China and subscription revenue from myTV SUPER business contributed to the increase. Impairment loss provisions are calculated based on the Group's past history, existing market conditions and forward looking estimates at 31 December 2018.

Other receivables, prepayments and deposits amounted to HK$572 million (2017: HK$483 million). The increase was mainly due to increase in advance payments made for drama production and accrued interests from the investment portfolio.

Trade and other payables and accruals decreased from HK$872 million to HK$740 million, which was mainly due to decrease in advance payments from co-producers of drama.

At 31 December 2018, the Group's net current assets amounted to HK$3,855 million (2017: HK$7,265 million), a decrease of 47%. The decrease in net current assets was due to the decrease in cash as a result of the purchase of securities for the investment portfolio, mainly classified under non-current assets. The current ratio, expressed as the ratio of current assets to current liabilities, was 5.9 at 31 December 2018 (2017: 9.2).

Borrowings at 31 December 2018 totalled HK$3,044 million (2017: HK$3,814 million) which were made up mainly by the TVB Notes and a small bank overdraft. During the year, the Company purchased US$104 million nominal amount of the TVB Notes at a price of US$103 million through open market to form part of its investment portfolio. At 31 December 2018, the gearing ratio, expressed as a ratio of net debt to total equity, was 29.1% (2017: 41.7%).

TVB Notes, issued by TVB Finance Limited, are guaranteed by the Company and are listed in Hong Kong. The proceeds from TVB Notes had been deployed to fund the development of the digital new media business and other capital expenditures, and to invest in ITT and for general corporate purposes.

At 31 December 2018, the Group had capital commitments totalling HK$171 million (2017: HK$227 million), a decrease of 25%.

FINANCIAL GUARANTEES

At 31 December 2018, there were guarantees given to banks amounting to HK$7 million (2017: HK$8 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign currency 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 and also on the repatriation of earnings and loans, and TVB 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.

SHARE OPTION SCHEMES

The Company and a wholly-owned subsidiary, Big Big Channel Holdings Limited ("Big Big Channel Holdings"), adopted the Share Option Scheme and the Subsidiary Share Option Scheme on 29 June 2017 respectively. These share option schemes will be valid and effective for a period of ten years from the date of adoption. 17,000,000 share options were granted by the Company under the Share Option Scheme during the year. No share options had been granted by Big Big Channel Holdings under the Subsidiary Share Option Scheme during the year.

HUMAN RESOURCES

At the year end, the Group employed a total of 4,041 full-time employees (2017: 4,436), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales, and non-sales personnel. Contract artistes are paid either per show or per package of shows. Sales personnel are remunerated on commission-based schemes, while non-sales personnel receive monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance. About 2% of the Group's manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

Under the Share Option Schemes of the Group, options may be granted to directors and employees of the Group to subscribe for shares in the Company and in Big Big Channel Holdings.

From time to time, the Group organises, either in-house or with other vocational institutions, seminars, courses, and workshops on subjects of technical interests, 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.

SHARE BUY-BACK

On 23 January 2018, the Securities and Futures Commission granted its consent for the Company not to proceed with the share buy-back offer, as the timeline for the conclusion of the Communications Authority ("CA")'s assessment relating to the Company's previous shareholding change applications in 2015 and 2016 (the "Assessment") could not be ascertained. Since then, the Company has responded to questions from the CA and provided information requested by the CA.

The Company will continue to assist the CA with its Assessment with the view to bringing the matter to a conclusion.

CORPORATE GOVERNANCE

DIRECTORS

Dr. Charles CHAN Kwok Keung
Chairman
Non-executive Director
Chairman of Executive Committee
Member of Remuneration Committee

LI Ruigang
Vice Chairman
Non-executive Director

Mark LEE Po On
Executive Director and
Group Chief Executive Officer
Member of Executive Committee
Member of Risk Committee

CHEONG Shin Keong
Executive Director and General Manager
Member of Executive Committee
Member of Risk Committee

Thomas HUI To
Executive Director
Member of Executive Committee
Member of Investment Committee

Anthony LEE Hsien Pin
Non-executive Director
Member of Audit Committee
Member of Nomination Committee
Member of Investment Committee

Dr. Charles CHAN Kwok Keung

Aged 64, was appointed as a Non-executive Director of the Company on 1 April 2011. Dr. Chan serves as the Chairman of the Board and the chairman of the Executive Committee since January 2015 and as a member of the Remuneration Committee since February 2015. Dr. Chan has over 38 years of international corporate management experience in the construction and the property sectors, as well as in strategic investments. Dr. Chan holds an Honorary Degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering. Dr. Chan is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

LI Ruigang

Aged 49, was appointed as a Non-executive Director of the Company and the Vice Chairman of the Board on 17 October 2016. In addition, Mr. Li holds directorships in two subsidiaries of the Company. Mr. Li is the Founding Chairman of CMC Capital Partners and CMC Inc. (together with its affiliates, called "CMC"). Mr. Li has rich operational experience and in-depth insight into China's media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, internet, mobile, and lifestyle. Mr. Li is a non-executive director of WPP, a world leader in marketing communications which is listed on the London Stock Exchange and the New

CHEN Wen Chi
Non-executive Director
Member of Executive Committee

Dr. Raymond OR Ching Fai SBS, JP
Independent Non-executive Director
Chairman of Remuneration Committee
Chairman of Nomination Committee
Chairman of Investment Committee
Member of Audit Committee
Member of Risk Committee

Dr. William LO Wing Yan JP
Independent Non-executive Director
Chairman of Audit Committee
Chairman of Risk Committee
Member of Remuneration Committee
Member of Nomination Committee

Professor Caroline WANG Chia-Ling
Independent Non-executive Director
Member of Audit Committee
Member of Risk Committee

Dr. Allan ZEMAN GBM, GBS, JP
Independent Non-executive Director
Member of Nomination Committee

York Stock Exchange. Mr. Li is a member of the Chinese Football Association's Executive Committee and a board member of Special Olympics. Mr. Li is also the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd., which is listed on the Shanghai Stock Exchange. Mr. Li is the chairman and a non-executive director of Shaw Brothers Holdings Limited and is a non-executive director of IMAX China Holding, Inc., both of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Li was formerly the chairman and president of Shanghai Media Group ("SMG") in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master Degree of Arts and a Bachelor Degree of Arts of Journalism from Fudan University. Mr. Li is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Mark LEE Po On

Aged 63, joined the Company on 1 February 2007. Mr. Lee was appointed as the Group General Manager in September 2009 and was re-titled as the Group Chief Executive Officer in January 2015. He was appointed as Executive Director in March 2010. Mr. Lee also serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Lee is a non-executive director/ independent director of Hanwell Holdings Limited and a non-executive director and independent director of Tat Seng Packing Group Limited, both of which are listed on the Singapore Stock Exchange Limited. Before joining TVB and during the period from late 1987 to January 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of executive director and CEO of Asia Television Limited which was a former affiliate of the consortium. During the early period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. Mr. Lee is a fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

CHEONG Shin Keong

Aged 62, was appointed as an Executive Director of the Company on 1 January 2015. Mr. Cheong serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Cheong joined the Company as Controller, Marketing & Sales in March 1989 and assumed the duties of General Manager in April 2004. He is responsible for marketing and sales function under Hong Kong TV broadcasting, as well as Hong Kong digital media business. Mr. Cheong is an independent non-executive director of Bossini International Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Cheong has extensive experience in the advertising and marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He is a Fellow and Executive Committee Member of the Hong Kong Management Association as well as a Fellow and Hong Kong Regional Board President of the Chartered Institute of Marketing.

Thomas HUI To

Aged 46, was appointed as a Non-executive Director of the Company on 23 April 2015 and was re-designated as an Executive Director on 21 March 2018. He serves as a member of the Executive Committee and the Investment Committee. Mr. Hui is the chief operating officer and an executive director of CMC Inc. Mr. Hui is a non-executive director of Shaw Brothers Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor Degree of Science in Electrical Engineering from the University of Wisconsin, Madison. Mr. Hui is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Anthony LEE Hsien Pin

Aged 61, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, a former Non-executive Director of the Company, between 3 September 2002 and 3 February 2012. Mr. Lee serves as a member of the

Audit Committee, the Nomination Committee and the Investment Committee. Mr. Lee is a director of Hysan Development Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited, and a director of Lee Hysan Company Limited. He is also a director and a substantial shareholder of Australian-listed Beyond International Limited. Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

CHEN Wen Chi

Aged 63, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Chen was appointed as Alternate Director to his wife, Ms. Cher Wang Hsiueh Hong, a former Non-executive Director of the Company, between 13 May 2011 and 3 February 2012. He serves as a member of the Executive Committee. Mr. Chen is a director of HTC Corp., as well as the chairman of VIA Technologies, Inc., Xander International Corp. and Chander Electronics Corp., all of which are listed on the Taiwan Stock Exchange Corporation. Mr. Chen also holds seats on several industry advisory bodies, and has been a member of the World Economic Forum for over ten years. He holds an MSEE degree from National Taiwan University and an MSCS degree from the California Institute of Technology. Mr. Chen is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited, all of which are shareholders of the Company.

Dr. Raymond OR Ching Fai SBS, JP

Aged 69, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. He serves as the chairman of the Remuneration Committee, the Nomination Committee and the Investment Committee, as well as a member of the Audit Committee and the Risk Committee. Dr. Or is the executive chairman and executive director of Esprit Holdings Limited, the non-executive director of China Strategic Holdings Limited, and an independent non-executive director of Chow Tai Fook Jewellery Group Limited and Regina Miracle International (Holdings) Limited, all of which are listed on the main board of The Stock Exchange of Hong Kong Limited. He was appointed as an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited in December 2018. Dr. Or has rich experiences in insurance, banking and financial services industries. He was formerly the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited, the chairman of HSBC Insurance Limited, the chief executive and vice chairman of Hang Seng Bank Limited, and the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. He was also the chairman of the Hong Kong Association of Banks. Dr. Or graduated from the University of Hong Kong with a Bachelor's degree in Economics and Psychology. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in 2014 and an Honorary Fellow by Hang Seng Management College (now known as the Hang Seng University of Hong Kong) in 2017. He was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellow from the University of Hong Kong in 2009, and is a Justice of the Peace.

Dr. William LO Wing Yan JP

Aged 58, was appointed as an Independent Non-executive Director of the Company on 11 February 2015. Dr. Lo serves as the chairman of the Audit Committee and the Risk Committee, a member of the Remuneration Committee and the Nomination Committee. Dr. Lo was appointed as an executive director and chairman of SMI Holdings Group Limited. He also serves as an independent non-executive director of CSI Properties Limited, SITC International Holdings Company Limited, Jingrui Holdings Limited, Ronshine China Holdings Limited and Hsin Chong Group Holdings Limited all of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Dr. Lo is an independent non-executive director of Nam Tai Property Inc. which is listed on the New York Stock Exchange. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He started his career in McKinsey & Company Inc. as a management consultant and held senior positions in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited, South China Media Group and Kidsland International Holdings Limited in the past. Dr. Lo graduated from Cambridge University with a M. Phil. Degree in Pharmacology and a Ph.D. Degree in Molecular Neuroscience. Dr. Lo is the founding governor of the Charles K. Kao Foundation for Alzheimer's Disease and the ISF Academy as well as the present chairman of Junior Achievement HK.

Professor Caroline WANG Chia-Ling

Aged 66, was appointed as an Independent Non-executive Director of the Company on 1 April 2015. She serves as a member of the Audit Committee and the Risk Committee. Professor Wang is a director of Shanghai Baolong Automotive Corporation, a company listed on the Shanghai Stock Exchange. Professor Wang is Professor of Business Practice at Business School of The Hong Kong University of Science and Technology. She was appointed as Adjunct Professor at HKUST in 2003 when she was the highest ranked Asian women executive at IBM globally. She had over 25 years of experiences with IBM in the US and across Asia Pacific. Among the various management roles she held while based in the US, Japan, and Greater China, Professor Wang had been Vice President of Marketing as well as Vice President of Business Transformation and Information Technology. Professor Wang was awarded a Master's Degree of Science from Harvard University and a Master's Degree of Arts from University of Wisconsin-Milwaukee.

Dr. Allan ZEMAN GBM, GBS, JP

Aged 70, was appointed as Independent Non-executive Director of the Company on 1 April 2015 and as a member of the Nomination Committee in April 2016. Dr. Zeman is the chairman of Lan Kwai Fong group and the Lan Kwai Fong Association in Hong Kong. Dr. Zeman serves as a non-executive chairman of Wynn Macau, Limited, an independent non-executive director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, Fousun Tourism Group and is a non-executive director of Pacific Century Premium Developments Limited, all of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Dr. Zeman has been very involved in government services as well as community activities. Dr. Zeman was the chairman of Hong Kong Ocean Park from July 2003 to June 2014, and is now the honorary advisor to the Park. Dr. Zeman was also a member of the board of West Kowloon Cultural District Authority from 2008 to 2016, and is now an honorary advisor of the Authority and the Chairman of its Commercial Letting Panel. He serves as the board of director of the Alibaba Entrepreneurs Fund, a board member of the Airport Authority of Hong Kong. Dr. Zeman is the appointed member of HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development and the Human Resources Planning Commission. A member of the General Committee of the Hong Kong General Chamber of Commerce, a governor of the board of governors of Our Hong Kong Foundation and a representative of Hong Kong China to the APEC Business Advisory Council. Dr. Zeman is also a member of the board of governors of The Canadian Chamber of Commerce in Hong Kong and the vice patron of the Hong Kong Community Chest. Dr. Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. In 2012, he was awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and The Hong Kong University of Science and Technology. In 2001, Dr. Zeman was appointed a Justice of the Peace in Hong Kong. He was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2011.

SENIOR MANAGEMENT

Desmond CHAN Shu Hung
Deputy General Manager
(Legal and International Operations)

Felix TO Chi Hak
Deputy General Manager
(Programme and Production)

Adrian MAK Yau Kee
Chief Financial Officer and
Company Secretary

Desmond CHAN Shu Hung

Aged 51, was appointed as Deputy General Manager (Legal and International Operations) in July 2016. He joined TVB as General Counsel in May 2010 and was appointed as Assistant General Manager in December 2012. He is responsible for international operations and legal and regulatory matters of the Company. Mr. Chan is also the General Manager of TVBI Company Limited and holds directorships in a number of the subsidiaries of the Company. Mr. Chan has had extensive experience in television and telecommunications industries. He worked at Asia Television Limited from 1994 to 1999, and i-Cable Communications Limited from 1999 to 2010. Mr. Chan received Master of Laws degrees from City University of Hong Kong, Renmin University of China and University of Strathclyde of United Kingdom respectively. He is a solicitor of Hong Kong Special Administrative Region (not currently in private practice).

Felix TO Chi Hak

Aged 55, was appointed as Deputy General Manager (Programme and Production) in July 2016 and is responsible for Programming and Production Divisions. Mr. To served in TVB Network Vision Limited, an associate of the Company, as CEO between 2012 and 2014, and joined TVB as Programme Controller and Assistant to Group CEO in January 2015, as Assistant General Manager in October 2015 and promoted to his current position in July 2016. Mr. To has had extensive experience in the media industry in Hong Kong, ranging from newspapers, publishing, advertising, radio, to pay and free TV. Before joining TVB, he was in various management positions overseeing production and programming in Asia Television Limited between 1996 and 1999; i-Cable Communications Limited between 2002 and 2005; and now TV between 2008 and 2012.

Adrian MAK Yau Kee

Aged 58, joined TVB as CFO and Company Secretary in November 2004. Mr. Mak holds directorships in a number of the subsidiaries of the Company. Prior to his current positions, Mr. Mak was CFO of Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, between 2001 and 2003, and CFO of CyberCity Holdings Limited between 2000 and 2001. Between 1992 and 2000, Mr. Mak served as an associate director in the Corporate Finance Division at the Hong Kong Securities and Futures Commission. Between 1983 and 1992, Mr. Mak worked at various offices of KPMG (Hong Kong, London and Birmingham offices). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

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

RESULTS, APPROPRIATIONS AND DISTRIBUTABLE RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 126.

Distributable reserves of the Company amounted to HK$4,552,024,000 at 31 December 2018 (2017: HK$4,854,971,000).

DIVIDENDS

Based on the full year results, the Directors have recommended a final dividend of HK$0.70 per share in cash to its shareholders. Together with the interim dividend of HK$0.30 per share paid in cash on 4 October 2018, this will give a total of HK$1.00 per share for the full year ended 31 December 2018.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 22 May 2019 ("2019 AGM"), the final dividend shall be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 30 May 2019. Dividend warrants for the final dividend will be despatched to shareholders on 11 June 2019.

CLOSURE OF REGISTER OF MEMBERS

FIRST BOOK CLOSE

The Register of Members of the Company will be closed from Wednesday, 24 April 2019 to Wednesday, 22 May 2019, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the 2019 AGM. During the First Book Close Period, no transfer of shares will be registered.

In order to be entitled to attend and vote at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 23 April 2019.

SECOND BOOK CLOSE

The Register of Members of the Company will be re-opened on Thursday, 23 May 2019 and then will be closed again from Tuesday, 28 May 2019 to Thursday, 30 May 2019, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend. During the Second Book Close Period, no transfer of shares will be registered.

In order to be entitled to the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2019.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,757,000.

SHARE ISSUED IN THE YEAR

The Company has not issued any shares in the year. Details of the share capital information of the Company are set out in Note 18 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116.

BUSINESS REVIEW

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

OVERALL

TVB has a dominant market share of over 85% in TV broadcasting Hong Kong, and employs a total of 4,041 (2017: 4,436) employees in Hong Kong and overseas. Details of the geographical distribution of employees can be found on page 59.

HONG KONG TV BROADCASTING

TVB operates under a domestic free TV programme service licence ("Free TV Licence") which was renewed by the Hong Kong SAR Government in May 2015 for a period of 12 years, ending in 2027. Under the Free TV Licence, TVB broadcasts five terrestrial TV channels, namely Jade, J2, TVB News Channel, Pearl and TVB Finance & Information Channel (collectively, "TVB channels") using the allocated digital TV spectrum (using digital TV sets or via set-top boxes), and two terrestrial TV channels, namely, Jade and Pearl using the allocated TV analogue spectrum. The Hong Kong SAR Government has confirmed that the analogue TV spectrum will be switched off by 1 December 2020. Since 2007, TVB has made substantial investment to build the DTT network by constructing a total of 29 signal transmission stations throughout Hong Kong. The DTT network already covers 99 percent of the population.

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

myTV SUPER

myTV SUPER OTT service is the largest OTT platform in Hong Kong with over a total of 7.3 million registered users covering OTT boxes, mobile apps and the web. TVB monetises these content through its OTT service and website by subscription and by advertising through insertion of advertisements, in static (banner) or video (in roll advertisement) format, before and during programmes.

BIG BIG CHANNEL BUSINESS

Big Big Channel business comprises an online social media platform – Big Big Channel, events management and music entertainment – Voice Entertainment.

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

REPORT OF THE DIRECTORS

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

PROGRAMME LICENSING AND DISTRIBUTION

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

OVERSEAS PAY TV OPERATIONS AND TVB ANYWHERE

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

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

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

Key financial performance indicators

- For the year, the Group's gross profit percentage had increased from 47% to 48%.
- The Group's gearing ratio (calculated on the basis of net debt over total equity) as at 31 December 2018 was 29.1% (31 December 2017: 41.7%).

Dividend policy

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

The Company adopted a written dividend policy ("Dividend Policy") at the Board Meeting on 6 December 2018. The full text of the Dividend Policy is set out on page 113 of this annual report.

The Company's environmental policies and performance

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

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

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

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

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

DIRECTORS

The Directors of the Company during 2018 were, and at the date of this Annual Report are, as follows:

Executive Directors

Mark Lee Po On
Cheong Shin Keong
Thomas Hui To

Non-executive Directors

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

Independent Non-executive Directors

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

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

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

Mr. Thomas Hui To had been re-designated from a Non-executive Director to an Executive Director on 21 March 2018.

REPORT OF THE DIRECTORS

Mr. Cheong Shin Keong, Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Mr. Chen Wen Chi, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman who retired at the Company's annual general meeting held on 23 May 2018 ("2018 AGM") was successfully re-elected as Directors at the 2018 AGM.

In accordance with Article 117(A) of the Articles, Mr. Mark Lee Po On and Dr. Raymond Or Ching Fai will retire at the 2019 AGM and, being eligible, offer themselves for re-election at the 2019 AGM.

Biographical information of each of the Directors who are subject to retirement for re-election at the 2019 AGM, are set out in the notice of the 2019 AGM which will be sent to the shareholders of the Company.

DIRECTORS OF THE SUBSIDIARIES

A list of names of all the directors who have served on the boards of Company's subsidiaries during 2018 and up to the date of this report is available on the Company's website at www.corporate.tvb.com ("Corporate's Website").

DIRECTORS' SERVICES CONTRACTS

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

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of Directors and members of Senior Management are set out on pages 70 to 75 of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2018, interest of the Directors (other than independent Non-executive Directors) in the company/companies which is/are considered to compete or likely to compete, either directly or indirectly with the principal business of Group is required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") are set out below.

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

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

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

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

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

At 31 December 2018, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

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

Notes:

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

At 31 December 2018:

(a) Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.

(b) Dr. Charles Chan Kwok Keung was deemed to be interested in these 113,888,628 shares of the Company as he was one of the parties to an agreement of which Section 317 of the SFO applies. Dr. Chan held these shares through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers was an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which was controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").

(c) Mr. Li Ruigang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which was in turn a wholly-owned subsidiary of CMC Holdings Limited (now known as "CMC Inc"). CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer was wholly-owned by Brilliant Spark Holdings Limited ("Brilliant Spark"). Brilliant Spark was wholly-owned and controlled by Mr. Li.

(d) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such interests were indirectly held by his spouse, Ms. Wang Hsiueh Hong through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly held an interest. Profit Global was a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.

(e) The interests held by these Directors represented long positions.

REPORT OF THE DIRECTORS

INTEREST IN THE UNDERLYING SHARES OF THE COMPANY

Name of Director	Number of underlying shares held: Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage in share capital (%)[a]
Mark Lee Po On	2,000,000	–	–	–	2,000,000	0.46
Cheong Shin Keong	1,000,000	–	–	–	1,000,000	0.23
Thomas Hui To	2,000,000	–	–	–	2,000,000	0.46

Notes:

At 31 December 2018:

[a] Percentage in the share capital was based on 438,000,000 ordinary shares of the Company in issue.

[b] Share options ("Options") were granted to the Directors on 22 March 2018 under the share option scheme adopted by the Company on 29 June 2017. Each Option entitles the holder to subscribe for one share of the Company.

[c] The exercise price of the Options granted is HK$25.84 per share.

[d] The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).

[e] The vesting period of the Options, is set out below:

- 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
- 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

[f] All the interests stated above represent long positions.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATION OF THE COMPANY

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

Notes:

At 31 December 2018:

[a] Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation of the Company in issue.

[b] These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which are controlled by Mr. Li Ruigang.

[c] The interests held by the Director represented long positions.

Save for the information disclosed above, at no time during the year, the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Share Option Scheme of the Company

The Company adopted a share option scheme ("TVB Option Scheme") at the annual general meeting of its Shareholders held on 29 June 2017 ("Adoption Date for TVB Option Scheme"). Details of movement in the Options during 2018, are set out below:

		Number of Options								
Name of grantee	Date of grant	Outstanding at 1 January 2018	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding at 31 December 2018	Exercise price per share	Closing price of the Company's shares at the date of grant	Exercise period
Directors										
Mark Lee Po On	22 March 2018	–	2,000,000	–	–	–	2,000,000	HK$25.84	HK$25.60	Note [2]
Cheong Shin Keong	22 March 2018	–	1,000,000	–	–	–	1,000,000	HK$25.84	HK$25.60	Note [2]
Thomas Hui To	22 March 2018	–	2,000,000	–	–	–	2,000,000	HK$25.84	HK$25.60	Note [2]
Sub-total		–	5,000,000	–	–	–	5,000,000			
Employees (In aggregate)	22 March 2018	–	8,500,000	–	–	–	8,500,000	HK$25.84	HK$25.60	Note [2]
Sub-total		–	8,500,000	–	–	–	8,500,000			
Employees of subsidiaries (In aggregate)	22 March 2018	–	3,000,000	–	–	–	3,000,000	HK$25.84	HK$25.60	Note [2]
Sub-total		–	3,000,000	–	–	–	3,000,000			
Other Participant	22 March 2018	–	500,000	–	–	–	500,000	HK$25.84	HK$25.60	Note [2]
Sub-total		–	500,000	–	–	–	500,000			
Total		–	**17,000,000**	–	–	–	**17,000,000**			

Notes:

1. The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).
2. The vesting period of the Options, is set out below:
   (i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
   (ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
   (iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
   (iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
   (v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).
   The Options are exercisable from the aforesaid dates until 22 March 2023.

The Company offered to grant the Options ("Offer") and each grantee accepted the offer of the Options of all the shares set out in their respective offer letters on 22 March 2018 by paying the Company HKD1.00 as consideration for the acceptance of the Offer. Each Option entitles the holder to subscribe for one share of the Company.

The Options granted to Mr. Mark Lee Po On, Mr. Cheong Shin Keong and Mr. Thomas Hui To, all are Executive Directors of the Company, had been approved by the Directors (including all Independent Non-executive Directors) of the Company at its meeting on 22 March 2018.

The details of Options granted to the participants during the year as disclosed in above table and the accounting policy adopted for the Options are set out in Note 27 to the consolidated financial statements.

Subsidiary Share Option Scheme of Big Big Channel Holdings Limited

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings Limited ("Subsidiary Option Scheme") at the annual general meeting of its Shareholders held on 29 June 2017 ("Adoption Date for Subsidiary Option Scheme"). No share options were granted, exercised, cancelled and lapsed under the Subsidiary Option Scheme during 2018.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during 2018 was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2018, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

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

Notes:

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

At 31 December 2018:

(a) Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.

(b) Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It was an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Charles Chan Kwok Keung ("Dr. Chan", the Chairman of the Board of the Company) with Mr. Li Ruigang ("Mr. Li", the Vice Chairman of the Board of the Company) and Ms. Wang Hsiueh Hong ("Ms. Wang") as the other two members.

(c) YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of YLH, which was controlled by Dr. Chan, through IVH.

(d) CMC M&E Acquisition was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Holdings Limited (now known as "CMC Inc.") CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Brilliant Spark was wholly-owned and controlled by Mr. Li.

(e) Ms. Wang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.

(f) Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties of an agreement ("Agreement") to hold the interest in these 113,888,628 shares in the Company. The Agreement was an agreement to which Section 317 of the SFO applied.

(g) Interests were held in the capacity of investment managers.

(h) The interests held by these persons/entities represented long positions.

Save for the information disclosed above, at no time during the year, no other persons (other than the Directors or chief executive of the Company) had any interest or short position in the shares and underlying shares and debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

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

Continuing Connected Transactions

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

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

   (a) On 24 February 2016, the Company and Shaw Movie entered into a tenancy agreement, pursuant to which the Company agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 14,150 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by the Company during 2018 were HK$3,873,000.

   (b) On 24 February 2016, TVB.COM and Shaw Movie entered into a tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 18,000 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2018 were HK$4,682,000.

   (c) On 24 February 2016, TVB.COM and Shaw Movie entered into an another tenancy agreement, pursuant to which TVB.COM agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 10,200 square feet for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The rent and related expenses incurred by TVB.COM during 2018 were HK$2,653,000.

   (d) On 24 February 2016, TVB.COM and Shaw Movie entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from Shaw Movie for storage of server equipment at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The service fee incurred by TVB.COM during 2018 was HK$5,040,000.

(e) On 24 February 2016, TVB.COM and Shaw Movie entered into an internet protocol telephone licence, pursuant to which TVB.COM agreed to obtain the licences for an internet protocol telephony communication system services installed by Shaw Movie at the offices at Shaw Moviecity which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2018 was HK$495,000.

(f) On 24 February 2016, the Company and Shaw Movie entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by the Company during 2018 was HK$94,000.

(g) On 24 February 2016, TVB.COM and Shaw Movie entered into a parking licence, pursuant to which TVB.COM agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 1 February 2016 to 31 January 2019. The licence fee incurred by TVB.COM during 2018 was HK$188,000.

(h) In addition, the Company and TVB.COM reimbursed to Shaw Movie for remitting payments to the Government arising from the 2016 Shaw Agreements (A) amounting to HK$204,000 and HK$406,000 respectively during 2018.

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

As announced on 20 July 2016, TVB.COM and TVB Publications Limited ("TVB Publications"), an indirect non wholly-owned subsidiary of the Company (became an indirect wholly-owned subsidiary of the Company on 22 May 2017), entered into several agreements on 20 July 2016 (including the licence agreement, the tenancy agreement and the parking licence, collectively, "2016 Shaw Agreements (B)") with Shaw Movie for the lease of certain properties at Shaw Moviecity, which is wholly-owned by Shaw Movie, on such terms and conditions as stipulated in the 2016 Shaw Agreements (B). Shaw Movie was an associate of the late Mona Fong, a Non-executive Director of the Company at the date of entering into the 2016 Shaw Agreements (B). Therefore, the entering into the 2016 Shaw Agreements (B) constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2016 Shaw Agreements (B) are as follows:

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

(b) On 20 July 2016, TVB Publications and Shaw Movie entered into a tenancy agreement, pursuant to which TVB Publications agreed to hire an office at Shaw Moviecity, with a total gross floor area of approximately 16,060 square feet for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The rent and related expenses incurred by TVB Publications during 2018 were HK$4,168,000.

(c) On 20 July 2016, TVB Publications and Shaw Movie entered into a parking licence, pursuant to which TVB Publications agreed to obtain licence for several designated car parking spaces at Shaw Moviecity for a three year fixed term commencing from 16 May 2016 to 15 May 2019. The licence fee incurred by TVB Publications during 2018 was HK$186,000.

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

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

   (a) On 17 October 2017, the Company and Shaw Movie entered into a licence agreement, pursuant to which the Company agreed to hire a premises at Shaw Moviecity, with a total gross floor area of approximately 5,800 square feet. The licence has an initial term of one year commencing from 1 October 2017 to 30 September 2018 and with an option to renew for a further year up to 30 September 2019, and a further option to renew for a further second year up to 30 September 2020, at the sole discretion of Shaw Movie. In 2018, the parties renewed the agreement for one year from 1 October 2018 to 30 September 2019. The rent and related expenses incurred by the Company during 2018 were HK$1,389,000.

   Since Ms. Fong, a non-executive Director of the Company, passed away and ceased to be a Director of the Company on 22 November 2017, her associate, Shaw Movie, ceased to be a connected person of the Company on 23 November 2018 (one year after the event ceasing to be a connected person). Accordingly, the 2016 Shaw Agreements (A), the 2016 Shaw Agreements (B) and the 2017 Shaw Agreement as abovementioned, have ceased to be continuing connected transactions for the Company from 23 November 2018 (one year after the event ceasing to be a connected person). For completeness' sake, the transaction amount disclosed under each of these agreements in this section is related to the full financial year ended 31 December 2018. The annual review by the Independent Non-executive Directors and the auditors of the Company pursuant to Rules 14A.55 and 14A.56 of the Listing Rules was also made in respect of the transactions contemplated under these agreements during the financial year ended 31 December 2018.

4. Continuing connected transactions with 上海翡翠東方傳播有限公司 ("TVBC"), announced on 21 March 2018

   As announced on 21 March 2018, (i) TVBI Company Limited ("TVBI"), a direct wholly-owned subsidiary of the Company, entered into a licence agreement ("2018 Licensing Agreement") with TVBC in relation to the supply of the licensed programmes in the PRC, and (ii) TVBO Facilities Limited ("TVBO"), an indirect wholly-owned subsidiary of the Company, entered into a supply agreement ("2018 Supply Agreement") with TVBC in relation to the supply of the TV broadcasting and marketing materials in the PRC. As at the date of entering of the 2018 Licensing Agreement and the 2018 Supply Agreement, TVBC was owned as to 55% by the Company and hence a non wholly-owned subsidiary of the Company. Mr. Li Ruigang, the Vice Chairman and a Non-executive Director of the Company, could control more than 10% of the voting shares in TVBC. Accordingly, TVBC is a connected subsidiary of the Company and the entering into of the 2018 Licensing Agreement and the 2018 Supply Agreement constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2018 Licensing Agreement and the 2018 Supply Agreement are as follows:

   (a) On 21 March 2018, TVBI and TVBC entered into the 2018 Licensing Agreement, pursuant to which TVBI agreed to supply during the period from 1 April 2018 to 31 March 2020 TVBC with the licensed programmes as selected by TVBC and grant an exclusive licence to TVBC, among other things, to broadcast and exhibit those selected licensed programmes on wireless TV, cable TV and satellite TV as well as all new media platforms, and (ii) to produce, distribute and sell the sound and video recordings of the licensed programmes (such as VCDs, DVDs and other storage media), within the People's Republic of China ("PRC"). The fee received by TVBI from 1 April 2018 to 31 December 2018 was HK$138,123,000.

(b) On 21 March 2018, TVBO and TVBC entered into the 2018 Supply Agreement, pursuant to which TVBO agreed to supply during the period from 1 April 2018 to 31 March 2020 TVBC with the TV broadcasting and marketing materials relating to the licensed programmes as selected by TVBC under the Licensing Agreement. The fee received by TVBO from 1 April 2018 to 31 December 2018 was HK$13,287,000.

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

As announced in the Company's announcement on 21 March 2018, TVBI and TVBO have had similar arrangements with TVB (Overseas), a direct wholly-owned subsidiary of TVBC to supply the licensed programmes and the related TV broadcasting and marketing materials in the PRC to TVB (Overseas) since October 2012.

Pursuant to the announcement dated 21 March 2018, (i) TVBI has entered into a licensing agreement ("2015 Licensing Agreement") with TVB (Overseas) on 25 November 2015 (as supplemented on 31 December 2015) in relation to the supply of the licensed programmes in the PRC, and (ii) TVBO had entered into a supply agreement ("2015 Supply Agreement") with TVB (Overseas) in relation to the supply of the TV broadcasting and marketing materials in the PRC. TVB (Overseas) has become a connected subsidiary of the Company since Mr. Li Ruigang was appointed as a Director of the Company on 17 October 2016. Since then, the 2015 Licensing Agreement and the 2015 Supply Agreement have technically become continuing connected transactions for the Company under the Listing Rules. The 2015 Licensing Agreement and the 2015 Supply Agreement have not been varied since 17 October 2016. Details of the 2015 Licensing Agreement and the 2015 Supply Agreement are as follows:

(a) Pursuant to the 2015 Licensing Agreement, TVBI agreed to supply during the period from 1 January 2016 to 31 March 2018 TVB (Overseas) with the licensed programmes as selected by TVB (Overseas) and grant an exclusive licence to TVB (Overseas), among other things, (i) to broadcast and exhibit those selected licensed programmes on wireless TV, cable TV and satellite TV as well as all new media platforms, and (ii) to produce, distribute and sell the sound and video recordings of the licensed programmes (such as VCDs, DVDs and other storage media), within the PRC. The fee received by TVBI from 1 January 2018 to 31 March 2018 was HK$46,041,000.

(b) Pursuant to the 2015 Supply Agreement, TVBO agreed to supply during the period from 1 January 2016 to 31 March 2018 TVB (Overseas) with the TV broadcasting and marketing materials relating to the licensed programmes as selected by TVB (Overseas). The fee received by TVBO from 1 January 2018 to 31 March 2018 was HK$4,429,000.

6. Continuing connected transactions with TVBC, announced on 28 December 2018

On 28 December 2018, TVBO entered into an additional Supply Agreement ("Additional 2018 Supply Agreement") with TVBC in relation to supply from 1 April 2018 to 31 December 2018 certain broadcasting and marketing materials. As at the date of entering of the Additional 2018 Supply Agreement, TVBC was owned as to 70% by the Company and hence a non wholly-owned subsidiary of the Company. Mr. Li Ruigang, the Vice Chairman and a Non-executive Director of the Company, could control more than 10% of the voting shares in TVBC. Accordingly, TVBC is a connected subsidiary of the Company and the entering into of the Additional 2018 Supply Agreement constituted continuing connected transaction for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the Additional 2018 Supply Agreement are as follows:

(a) On 28 December 2018, TVBO and TVBC entered into the Additional 2018 Supply Agreement, pursuant to which TVBO agreed to supply during the period from 1 April 2018 to 31 December 2018 TVBC certain broadcasting and marketing materials relating to TVB dramas, including behind-the-scenes, stage photos, posters and trailers, to be used in the PRC for marketing purpose. The fee received by TVBO from 1 April 2018 to 31 December 2018 was HK$6,150,000.

All of the Independent Non-executive Directors of the Company having reviewed and confirmed the transactions described in paragraphs 1 to 6 above were:

(i) in the ordinary and usual course of business of the Company and its subsidiaries;

(ii) either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 86 to 90 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The auditor has included an emphasis of matter paragraph (without modification) in its letter which states that: "We draw attention that the Company issued an announcement dated 21 March 2018 in respect of the continuing connected transactions between its subsidiaries and TVB (Overseas) for the period from 17 October 2016 to 21 March 2018 as set out in the TVB (Overseas) Transactions in paragraph 5 above. There was no annual cap for the TVB (Overseas) Transactions prior to 31 March 2018, and accordingly we do not provide a conclusion on whether the TVB (Overseas) Transactions have exceeded an annual cap. Our conclusion is not modified in respect of this matter".

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

PERMITTED INDEMNITY

Subject to the applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them shall or may incur or sustain in the execution of their duties or in relation thereto pursuant to the Articles. Such provisions were in force during the financial year ended 31 December 2018 and remained in force as of the date of this report. The Company has also arranged directors' liability insurance, to insure against any losses and liabilities incurred by Directors of the Company in their capacity as such.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 39 to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 25 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 31 December 2018, the Group had provided the following financial assistance to SMI Holdings Group Limited ("SMI"), a company listed on the Stock Exchange (stock code: 00198) and an independent third party of the Group, which in aggregate exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and hence constituted an advance to an entity under Rule 13.13 of the Listing Rules:

- US$23,000,000 9.5% unsecured redeemable fixed coupon bonds issued by SMI ("Bonds")

  In April 2018, the Company subscribed for the Bonds which are unsecured and bears an interest rate of 9.5% per annum payable semi-annually. The Bonds will mature in 2020 (extendable to 2021 by mutual agreement).

  Unless early redeemed with the consent of the Company, the Bonds will be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Bonds and (ii) all accrued and unpaid interest on or prior to the maturity date.

- US$83,000,000 7.5% secured redeemable convertible bonds issued by SMI ("Convertible Bonds")

  In May 2018, the Company subscribed for the Convertible Bonds which are secured by a share charge in respect of the entire share capital of SMI International Cinemas Limited, a wholly-owned subsidiary of SMI, and bear an interest rate of 7.5% per annum payable semi-annually. The Convertible Bonds will mature in 2020 (extendable to 2021 by mutual agreement).

  Unless otherwise redeemed, converted or cancelled, the Convertible Bonds will be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the maturity date) minus (b) all interest paid on or prior to the maturity date.

  Without prejudice to the foregoing, SMI may at any time after expiry of 6 months from the issue date but not less than 14 business days prior to the maturity date, by giving not less than 10 days' or more than 30 days' notice to the bondholder(s), redeem all or part of the Convertible Bonds, at the redemption price in the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the redemption date) minus (b) all interest paid on or prior to the redemption date.

For details of the above advances to SMI, please refer to the Company's announcement dated 2 May 2018. As at 31 December 2018, the outstanding principal of the above advances remained as US$106,000,000.

As at 31 December 2018, the Group had provided other financial assistance to certain affiliated companies (as defined under the Listing Rules), which in aggregate exceeded 8% under the assets ratio. The financial assistance provided to ITT (a 50% owned joint venture of the Group) also constituted an advance to an entity under Rule 13.13 of the Listing Rules.

REPORT OF THE DIRECTORS

In July 2017, the Group subscribed for the promissory note issued by ITT in the aggregate principal amount of US$66,666,667 ("Promissory Note"). The Promissory Note is unsecured and bears an interest rate of 12% per annum payable annually and will mature in July 2032. ITT may repay the outstanding principal under the Promissory Note in whole or in part from time to time, provided that any repayment during the period of four years from 26 July 2017 shall be subject to the prior approval of the board of directors of ITT. For details of the Promissory Note, please refer to the Company's announcement dated 26 July 2017. As at 31 December 2018, the outstanding principal of the Promissory Note remained as US$66,666,667.

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2018 are presented as follows:

	Combined statement of financial position HK$'000	**The Group's attributable interest HK$'000**
Non-current assets	5	3
Current assets	740,034	734,371
Current liabilities	(96,306)	(63,527)
Net current assets	643,728	670,844
Total assets less current liabilities	643,733	670,847
Non-current liabilities	(584,752)	(584,752)
Net assets	58,981	86,095

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the Investment Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 102 to 110.

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 94 to 115 of this Annual Report.

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

During 2018, the Company purchased US$103,710,000 nominal amount of TVB Notes issued by TVB Finance Limited through open market. As at 31 December 2018, US$500,000,000 nominal amount of TVB Notes remained outstanding. Details of TVB Notes and the purchase are set out in Note 21 to the consolidated financial statements.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 20 March 2019, there were 376 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the 2019 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 20 March 2019

CORPORATE GOVERNANCE REPORT

TVB's key corporate governance practices and activities during the year ended 31 December 2018 are set out in this report which has been prepared in accordance with the requirements of Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

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 stakeholders.

The Company was in compliance with the code provisions of the Corporate Governance Codes under the Listing Rules ("CG Code") throughout 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY AND REPORT

The Board has overall responsibility for the Company's environmental, social and governance ("ESG") strategy and reporting. In line with the CG Code, the Board is responsible for evaluating and determining the Company's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS

The Company is headed by an effective Board which is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner.

The Board is the highest governing body of the Company and is supported by six Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the Investment Committee.

The Board is responsible for development and review of the Company's policies and practices on corporate governance; review and monitoring of training and continuous professional development of Directors; review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements; development, review and monitoring of the code of conduct and compliance manuals applicable to employees and Directors; and review of the Company's compliance with the CG Code and disclosure in the CG Report.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The corporate governance structure of the Company at the date of this CG Report is as follows:

Board
3 EDs
4 NEDs
4 INEDs

Risk Committee
2 EDs
3 INEDs

Sustainability Steering Group
GCEO
2 AGMs
CFO and CS

Investment Committee
1 ED
1 NED
1 INED
CFO and CS

Audit Committee
1 NED
3 INEDs

Internal Audit
Head of IA

Executive Committee
3 EDs
2 NEDs

Remuneration Committee
1 NED
2 INEDs

Nomination Committee
1 NED
3 INEDs

ED : Executive Director
NED : Non-executive Director
INED : Independent Non-executive Director
GCEO : Group Chief Executive Officer
AGM : Assistant General Manager
CFO : Chief Financial Officer
CS : Company Secretary
IA : Internal Audit

The Board comprises of Executive Directors and Non-executive Directors (including the Independent Non-executive Directors) which together give the Board a balance of skills and experience necessary for the fulfilment of the Company's business objectives. The Non-executive Directors provide independent views at the Board level, which enables the effective exercise of independent judgement.

A list of the Directors of the Company is set out on page 98 and the Directors' biographical information are set out on pages 70 to 74 of this Annual Report.

BOARD DIVERSITY

The Board has adopted a Board Diversity Policy, which follows the practice as laid down by the Stock Exchange.

The Board has a total of 11 Directors

Executive Directors	Non-executive Directors
3	8 (including 4 INEDs)

Male and Female

Male	Female
10 Directors (91%)	1 Director (9%)

The number of Directors falling within the following age groups are:

45-50	51-55	56-60	61-65	66-70
2 Directors	0 Director	1 Director	5 Directors	3 Directors

The average age of Directors is 61 years old.

Years of directorship with TVB

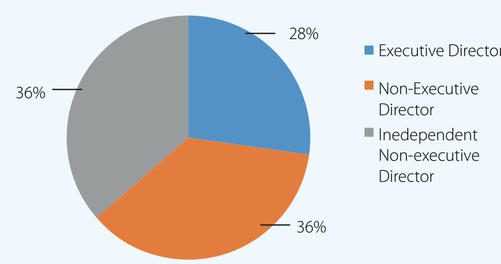
1-4 years	5-8 years
6	5

The Board Diversity Policy contains measurable objectives for implementing the Board Diversity Policy, and progress on achieving the objectives of the Board Diversity Policy.

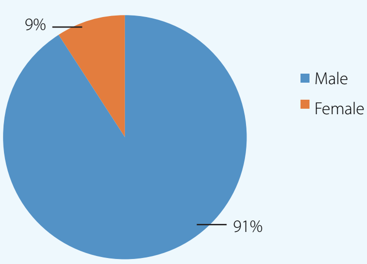
Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

The full text of the Board Diversity Policy is set out on page 115 of this annual report.

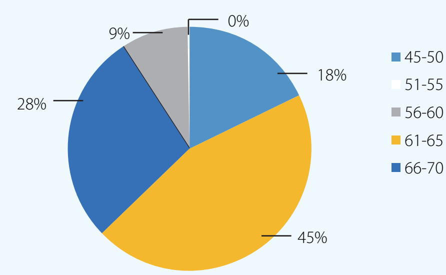
Designation



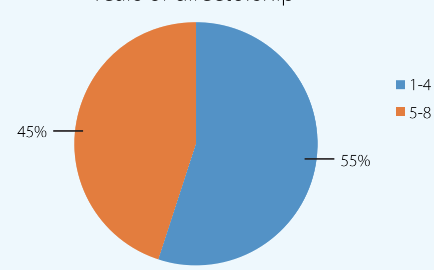
Gender



Age Group



Years of directorship



The background of members of the Board is as follows:

Director	Title	Background
Charles Chan Kwok Keung	Chairman Non-executive Director	Investment
Li Ruigang	Vice Chairman Non-executive Director	Media and Entertainment
Mark Lee Po On	Executive Director Group Chief Executive Officer	Management and Operations
Cheong Shin Keong	Executive Director General Manager	Technology
Thomas Hui To	Executive Director	Investment, Media and Entertainment
Anthony Lee Hsien Pin	Non-executive Director	Investment
Chen Wen Chi	Non-executive Director	Technology
Raymond Or Ching Fai	Independent Non-executive Director	Banking and Finance
William Lo Wing Yan	Independent Non-executive Director	Technology, Media and Telecommunications
Caroline Wang Chia-Ling	Independent Non-executive Director	Business and Technology
Allan Zeman	Independent Non-executive Director	Investment

The Directors have very diversified background, ranging from management, finance, media and investment to technology, which fit well with the Company's strategic objectives. The Nomination Committee considers that this board structure to be optimal for the Company.

DIRECTORS' RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are collectively and individually responsible to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

Each Director is kept abreast of his/her responsibilities as Director of the Company. Management provides all Directors monthly management accounts, press releases and cuttings, and other information in a timely manner to keep them apprised of the Company's latest development, performance, position and prospects. In addition, Directors have independent access to members of Senior Management and the Company Secretary in respect of operational issues.

In order to keep Directors abreast of professional developments, the Company organises training sessions to Directors from time-to-time on updates of rules and regulations, market developments, and other relevant topics. At the August 2018 board meeting, the Company invited external speakers to provide market updates on shareholders activism in Asia, and a reminder of the key provisions of the Broadcasting Ordinance. At the December 2018 board meeting, the Company briefed Directors on major Listing Rules and CG Code amendments which will take effect from 1 January 2019. In addition, each Director was asked to provide the Company with a complete record of attended trainings during the year for record purposes.

The Board is empowered to set the strategic direction of the Company and monitor the performance of the Group's business and management; and, inter-alia, ensure that a risk management framework is in place to enable the Company's risks be assessed and managed.

The Board exercises a number of reserved approval powers over matters which include:

- significant changes in accounting policies or capital structure;
- issuance of financial statements and public announcements;
- major acquisitions, disposals and major capital projects;

- material borrowings and any issuing, or buying back, of equity securities;
- the remuneration policy;
- the annual group budget;
- the dividend policy; and
- the treasury policy.

During the year and up to the date of this CG Report, the following changes to the composition of the Board and its Committees took place:

- Mr. Thomas Hui To was re-designated as an Executive Director of the Company on 21 March 2018.
- Mr. Cheong Shin Keong, Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Mr. Chen Wen Chi, Dr. William Lo Wing Yan, Professor Wang Chia-Ling and Dr. Allan Zeman retired and were successfully re-elected as Directors at 2018 AGM on 23 May 2018.
- An Investment Committee of the Board of the Company was established on 22 August 2018 for the purposes of review the Company's portfolio of marketable securities and monitor its performance on a regular basis. The membership of the Investment Committee comprises of Dr. Raymond Or Ching Fai (INED) as Chairman and Mr. Anthony Lee Hsien Pin (NED), Mr. Thomas Hui To (ED) and Mr. Adrian Mak Yau Kee (CFO) as members.
- Dr. William Lo Wing Yan was appointed as the chairman of the Risk Committee on 5 December 2018. He has been a member of the Risk Committee since August 2015. Dr. Raymond Or Ching Fai was re-designated from the chairman to a member of the Risk Committee on 5 December 2018.

Save as disclosed in this section, there were no other changes in the composition of the Board and its Committees during the year and up to the date of this CG report.

The memberships of the Board and its Committees as of the date of this CG Report are as follows:

Board of Directors	Also Serving:	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Investment Committee[1]
Chairman and Non-executive Director							
Charles Chan Kwok Keung		C	–	M	–	–	–
Vice Chairman and Non-executive Director							
Li Ruigang		–	–	–	–	–	–
Executive Directors							
Mark Lee Po On		M	–	–	–	M	–
Cheong Shin Keong		M	–	–	–	M	–
Thomas Hui To		M	–	–	–	–	M
Non-executive Directors							
Anthony Lee Hsien Pin		–	M	–	M	–	M
Chen Wen Chi		M	–	–	–	–	–
Independent Non-executive Directors							
Raymond Or Ching Fai		–	M	C	C	M	C
William Lo Wing Yan		–	C	M	M	C	–
Professor Wang Chia-Ling		–	M	–	–	M	–
Allan Zeman		–	–	–	M	–	–

C: Chairman
M: Member

Note:

1 The Investment Committee was established on 22 August 2018. The forth member of this Committee is Mr. Adrian Mak Yau Kee, CFO and Company Secretary of the Company.

ATTENDANCE RECORDS OF DIRECTORS

The attendance[1] records of Directors at the Board and its Committees' meetings and annual general meeting in 2018 are set out below:

Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Risk Committee meetings	Investment Committee meetings	2018 AGM
Charles Chan Kwok Keung	5/5	24/25	–	2/2	–	–	–	1/1
Li Ruigang	3/5	–	–	–	–	–	–	1/1
Mark Lee Po On	4/5	25/25	–	–	–	2/2	–	1/1
Cheong Shin Keong	4/5	25/25	–	–	–	2/2	–	1/1
Thomas Hui To	5/5	21/25	–	–	–	–	3/3	1/1
Anthony Lee Hsien Pin	5/5	–	3/3	–	1/1	–	3/3	1/1
Chen Wen Chi	1/5	1/25	–	–	–	–	–	1/1
Raymond Or Ching Fai	5/5	–	3/3	2/2	1/1	2/2	3/3	1/1
William Lo Wing Yan	5/5	–	2/3	2/2	0/1	1/2	–	1/1
Professor Wang Chia-Ling	5/5	–	3/3	–	–	2/2	–	1/1
Allan Zeman	5/5	–	–	–	1/1	–	–	1/1

Notes:

Demonstration – Total numbers of meeting(s) attended/Total number of meeting(s) held during 2018

1 Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles.

2 Mr. Chen Wen Chi attended a few meetings of the Company during 2018 due to his tight business schedule. Although Mr. Chen could not attend all the meetings, he confirmed that he had read monthly updates, articles and news of the Company. He had also discussed with other members of the Board the affairs of the Company during 2018.

BOARD MEETINGS

During 2018, the Board held a total of five meetings and passed a total of three resolutions-in-writing which dealt with, inter-alia, the following matters:

- approved the annual results for the year ended 31 December 2017
- approved the continuing connected transactions with TVBC in relation to the licensing agreement and supply agreement
- approved the grant of TVB Option Scheme
- approved the investment in SMI bonds
- reviewed the 2018 first quarter performance of the Group
- approved the interim results for the six months ended 30 June 2018 and the interim dividend for the year ended 31 December 2018
- approved the acquisition of additional 15% equity interest in TVBC
- reviewed the operating and capital budgets for the year ending 31 December 2019
- approved the publication of announcements in connection with the above matters as required under the Listing Rules

CORPORATE GOVERNANCE REPORT

At the August 2018 board meeting, the Chairman of the Board met with the Non-executive Directors (including the INEDs) without the presence of the Executive Directors, as required under the Listing Rules. The purpose of this meeting was to discuss issues relevant to the Board and its operations. No matters of significance arose at this meeting.

All Directors have confirmed that they had spent sufficient time in the affairs of the Company during the year.

The Chairman is of the view that the Board is working effectively and is performing its duties.

The Company has, at its own cost and expense, taken out and maintained appropriate directors' liability insurance to insure against losses and liabilities, if any, incurred by the Directors of the Company in their capacity as such.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters and is tasked to ensure that the Board procedures are followed and that the Board is kept informed of developments of the Group.

The biographical details of the Company Secretary can be found on page 75 of the annual report under Senior Management. The Company Secretary confirmed that he had undertaken over 15 hours of relevant training for his position, as required under Rule 3.29 of the Listing Rules, during the year.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board holds meetings in person on pre-scheduled dates agreed one year in advance. Notices of Board meetings are despatched well in advance of each meeting. The agendas of Board meetings are approved by the Chairman of the Board, and all Directors are given the opportunities to propose agenda items for consideration at meetings. The Board is provided with adequate and timely information about the Company's business and developments before each meeting to enable active participation and discussions. Before each meetings, draft minutes of the previous meeting are circulated and commented on by Directors, before they are approved by the Chairman.

Pursuant to the Articles, a resolution-in-writing signed by all of the Directors shall be regarded as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. However, if a Director has a conflict of interest in any matter to be considered by the Board which it has determined to be material, such a matter should be dealt with by a meeting, rather than in a resolution-in-writing.

Proceedings of the Board Committee meetings are governed by the provisions in the Articles for regulating the proceedings of the meetings of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDs")

The Company has adopted stringent procedures for the appointment of INEDs and the continuous requirement to monitor independence.

Before and on appointment

- Nomination Committee will follow the Policy for nomination of directors (including the nomination procedures and criteria for selection and recommendation of candidates for directorship, and the Diversity Policy) and an assessment of his/her independence; and
- Upon his/her appointment, the INED is required to confirm with the Stock Exchange his/her independence having regard to the criteria under Rule 3.13 of the Listing Rules.

On-going process

- Each of the INED is required to inform the Stock Exchange and the Company, as soon as practicable, if there is any change in his or her own personal particulars that may affect his/her independence.
- The INEDs are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis.
- All Directors have continuing duty to update the Company on any changes to their other appointment which will be reviewed by the Company.

Annual assessment

- Each of the INED is required to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules.
- Nomination Committee will assess and review the independence of the INEDs annually.

There is a total of four INEDs on the Board, namely, Dr. Raymond Or Ching Fai, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman. This number fulfills the requirement of a minimum of three independent non-executive directors as prescribed under Rule 3.10(1) of the Listing Rules and represents over one-third of the composition of the Board of Directors, as prescribed under Rule 3.10A of the Listing Rules. It is considered that the majority of the INED possesses related financial management expertise.

Each of the INED of the Company has given the Company a confirmation of his/her independence. The Nomination Committee had reviewed on 13 March 2019, by reference to the guidelines set out in Rule 3.13 of the Listing Rules the independence of each of these Directors, and considered that all INEDs are independent.

Dr. William Lo Wing Yan was appointed as chairman and executive director of SMI Holdings Group Limited ("SMI"), a company listed on the main board of the Stock Exchange and in which the Company had invested in US$23 million 9.5% redeemable fixed coupon bonds due 2020 ("SMI Fixed Coupon Bond") and in US$83 million 7.5% redeemable convertible bonds due 2020 ("SMI Redeemable Convertible Bond"). Dr. Lo voluntarily abstained on the resolution of the Audit Committee on 20 March 2019 which recommended the report and accounts of the Group for the year ended 31 December 2018 to the Board.

The INEDs of the Company carried out a review of the connected transactions of the Company during the year.

RELATIONSHIPS BETWEEN DIRECTORS

The Directors have no relationships (including financial, business, family or other material/relevant relationships) among themselves, save for the fact that Dr. Charles Chan Kwong Keung (Chairman and a Non-executive Director of the Company) together with Mr. Li Ruigang (Vice Chairman and a Non-executive Director of the Company) and Ms. Cher Wang Hsiueh Hong (Spouse of Mr. Chen Wen Chi, a Non-executive Director of the Company) are indirect shareholders of Shaw Brothers which directly holds 26% of the shareholding interest of the Company.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Pursuant to the Articles, all Directors shall be subject to retirement and re-election. Any Director (including Non-executive Directors) appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the immediately following general meeting of the Company, and shall then be eligible for election at such a meeting. Thereafter, they shall be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles. None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

CORPORATE GOVERNANCE REPORT

The Company had issued a letter of appointment to document the key terms of appointment of each Director. A set of "TVB Directors' Manual" containing the Articles, the TVB CG Code, the Model Code and notification procedures, terms of reference of the respective Board Committees, and certain internal policies and rules update and the guidelines issued by the regulatory and professional bodies in respect of their duties is provided to all Directors upon joining the Board. In addition, the Company offers formal induction training to Directors upon their appointment.

In accordance with Article 117(A) of the Articles, Mr. Mark Lee Po On and Dr. Raymond Or Ching Fai, will retire at the 2019 AGM and, being eligible, offer themselves for re-election at the 2019 AGM.

Details of the Directors, who are subject to re-election at the 2019 AGM, are set out in the notice of the 2019 AGM which will be sent to Shareholders of the Company.

SEGREGATION OF DUTIES BETWEEN THE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Group Chief Executive Officer of the Company are segregated and clearly defined, as set out in the TVB CG Code.

Dr. Charles Chan Kwong Keung, Chairman of the Board, provides leadership for the Board. He chairs the Board meetings and promotes a culture of openness to encourage all Directors to actively contribute to the Board's affairs, to express their views and concerns, to allow sufficient time for discussion of issues, and to ensure that the Board decisions fairly reflect the Board's consensus and the Board acts in the best interest of the Company.

Mr. Mark Lee Po On, Executive Director and Group Chief Executive Officer of the Company is the pinnacle of the management structure. He is responsible for implementing and reporting to the Board on the implementation of the Company's strategies; overseeing the realisation by the Company of the objectives set by the Board; and providing the necessary information for the Board to monitor the performance of Management.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has adopted the Model Code, 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 and have confirmed that they had complied with the Model Code during 2018.

DELEGATION TO MANAGEMENT

The Board has formalised the functions delegated to Senior Management and reviews such arrangements on a periodic basis. Senior Management is charged with the following responsibilities:

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of Senior Management; and
- discharging duties and authorities as may be delegated by the Board.

Mr. Mark Lee Po On, Mr. Cheong Shin Keong and Mr. Thomas Hui To are the three Executive Directors on the Board and provide the necessary linkage between the Board and Senior Management.

BOARD COMMITTEES

The Board is supported by six Board Committees, namely:

- Executive Committee;
- Audit Committee;
- Risk Committee;

- Remuneration Committee;
- Nomination Committee; and
- Investment Committee.

Each of them has defined terms of reference covering its authority, duties and functions. The terms of reference of these six Committees are available on the website of the Stock Exchange (www.hkexnews.hk, "Exchange's Website") and the Corporate's Website.

The Company fully supports the Board Committees to perform their respective duties. The Board Committees, through their chairmen, report to the Board on their work, decisions and recommendations.

EXECUTIVE COMMITTEE

The Executive Committee has been delegated by the Board with the powers in the oversight of the management of the business and affairs of the Company. The terms of reference including the major roles and functions of the Executive Committee is set out in the Corporate's Website.

COMPOSITION AND WORK DONE

The Executive Committee comprises five members and its membership is set out in the table on page 98 of this CG Report.

During 2018, the Executive Committee held a total of twenty-five meetings which dealt with, inter-alia, the following matters:

- reviewed the Group's management accounts and interim and final reporting packages and budgetary information;
- reviewed the Group's cash position and treasury function at its regular meetings;
- reviewed the investment policies and the yield enhancement measures taken on the cash balances and the investment portfolio;
- made recommendations to the Board for dividends;
- approved the investment in SMI bonds;
- considered and approved of financial commitments or undertakings whether capital or operating expenditure over the amount of HK$20 million; and
- considered and approved other Group's routine corporate matters, such as enforcement actions and general banking matters.

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities in independently reviewing and supervising the financial reporting and the effectiveness of the system of internal controls of the Company and its subsidiaries; reviewing the objectivity and the effectiveness of the audit process in accordance with applicable standards; and reviewing the appointment of external auditor and ensuring its independence. The terms of reference including the major roles and functions of the Audit Committee is set out in the Corporate's Website.

COMPOSITION AND WORK DONE

The Audit Committee has four members, 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. Therefore, the Company complies with the requirement under Rule 3.21 of the Listing Rules. Membership of the Audit Committee is set out in the table on page 98.

During 2018, the Audit Committee held three meetings and dealt with, inter-alia, the following matters:

- reviewed accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts on the financial statements of the Company;
- reviewed draft financial statements and results announcements;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the external audit;

- reviewed and discussed audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls;
- made recommendation to the Board regarding appointment and remuneration of the external auditor;
- reviewed the continuing connected transactions entered into by the Company; and
- received the Review of Risk Management and Internal Control Report prepared by Internal Audit and considered and discussed the macro risks faced by the Company and the appropriate mitigating measures.

During 2018, the Audit Committee 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 interim financial information and the annual consolidated financial statements before such statements were presented to the Board for approval.

PricewaterhouseCoopers is the external auditor of the Company. As required under the CG Code, the Audit Committee held a meeting with PricewaterhouseCoopers, in the absence of Management, to discuss matters relevant to the audit. No matter of significance arose from this meeting.

The reporting responsibilities of PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 117 to 123 of this Annual Report.

WHISTLEBLOWING POLICY

The whistleblowing policy and procedures have been established by the Board since 2012 to allow employees of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in financial reporting, internal control or other matters. These procedures are also available to external parties who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. During 2018, no matters were raised by employees or external parties to the Audit Committee under the whistleblowing procedures.

RISK MANAGEMENT AND INTERNAL CONTROLS

RESPONSIBILITY

The Board acknowledges that it has overall responsibility in establishing an appropriate risk management and internal control systems on an ongoing basis, and reviewing their effectiveness from time to time to enhance the Group's ability in achieving its strategic objectives, safeguarding assets, complying with applicable laws and regulations and contributing to the effectiveness and efficiency of its operations. The Group's risk management and internal control systems are designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and manage rather than eliminate the risks of failure in operational systems and fulfillment of its business objectives.

RISK MANAGEMENT

The Risk Committee is delegated by the Board to oversee and manage all identified major business and operational risks on an ongoing basis (including ESG-related risks). During the 2018, the Risk Committee met twice to discuss strategic and major operational risks faced by the Group and the related mitigation action plans. The major roles and functions of the Risk Committee are set out in "Risk Committee" section on page 106.

RISK MANAGEMENT PROCESS AND APPROACH

The risk management process of the Group involves risk identification, analysis, evaluation, estimation, mitigation, reporting and monitoring. The methodology adopted in risk identification and assessment process involves top-down and bottom-up approaches. The top-down approach involves identification of major strategic risks that will prevent the Group from achieving its strategic objectives. To identify major risks, a risk universe containing different types of strategic, operational, compliance and financial risks is created. Through a risk filtering process and risk assessment interviews with senior management and key business heads, major risks are identified for reporting and monitoring. At functional level, a bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations.

ANNUAL REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the year, the Board, through the Audit Committee, had conducted a review of effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls, and assessed the adequacy of resources, qualification and experience of staff of the Group's accounting, financial reporting and internal audit function, and their training programmes and budget ("Review").

A project team was set up during the year to facilitate the Review. This Review was performed by way of risk assessment interviews with senior management to evaluate major strategic risks faced by the Group and the related mitigation actions. In addition, detailed risk and control self-assessment were conducted by the heads of all key business units to assess whether the design and functioning of these control systems at operational level are sufficient to mitigate the operational risks identified.

Based on the outcome of the Review, the Board is satisfied that the Group has established and maintains appropriate and effective risk management and internal control systems.

INTERNAL AUDIT AND MONITORING CONTROLS

The Group advocates the principle of maintaining good corporate governance and the importance of creating the right tone in the organisation, influencing control consciousness of its employees, with emphasis on factors such as integrity, ethical values, competence, responsibility and authority.

To assist the Board in its monitoring control function, an internal audit department ("Internal Audit") was set up in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group's business operations. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters. Other key principles, including the principles of accountability and objectivity, under which Internal Audit is refrained from involving in daily operations being audited, have been firmly established in the Group's Internal Audit Charter approved by the Audit Committee.

Internal Audit performed its independent reviews of different financial, business and functional operations and activities using a risk based approach to focus on areas of major risks as identified by a comprehensive risk analysis. Division or department heads and the management concerned will be notified of all control deficiencies for rectification within a set time frame.

Other Key Elements of Risk Management and Internal Controls

The other key elements and processes that have been established by the Group to provide effective risk management and internal control systems include:

- Clear organisation structure with well-defined lines of responsibilities from the Board to Board Committees, management and the heads of operating subsidiaries/divisions are established.
- Policies and procedures are established for business operations of the Group to facilitate ongoing identification of emerging risk events, define appropriate risk responses and contain risks within the Group's risk appetite.
- Comprehensive monthly management reporting systems are in place to provide financial and operational performance data to management. Variances from targets are analysed, explained and improvement actions are taken, if necessary, to rectify deficiencies.
- All employees of the Group can file their complaints about material risk issues, transactions or improprieties directly to the Audit Committee pursuant to the whistle-blowing procedure. This whistle-blowing procedure is independent of management.
- All employees are bound by TVB Code of Ethics to keep inside information in strict confidence and are not permitted to disclose it without authorization. All employees are also refrained from accepting personal benefits through their power and authority derived from their positions.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit and non-audit services have been reviewed and approved by the Audit Committee and endorsed by the Board. The fees for audit and non-audit services charged to the consolidated income statement of the Group are set out as follows:

Fees for audit services

	2018 HK$'000	2017 HK$'000
Company	**2,159**	2,922
Subsidiaries	**3,624**	3,301
Total	**5,783**	6,223
Fees payable to PricewaterhouseCoopers, The principal auditor	**4,928**	5,488

Fees for non-audit services

	2018 HK$'000	2017 HK$'000
Company	**614**	900
Subsidiaries	**2,087**	2,261
Total	**2,701**	3,161
Fees payable to PricewaterhouseCoopers, The principal auditor (Note 1)	**2,226**	2,813

Note:

1 Non-audit services rendered to the Group by PricewaterhouseCoopers during 2018 included mainly professional tax consulting services performed by the tax department of PricewaterhouseCoopers, which is separate from the team responsible for the Group's audit.

The Audit Committee had reviewed the non-audit services rendered by PricewaterhouseCoopers, the principal auditor, during 2018 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

RISK COMMITTEE

The Risk Committee is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, and in ensuring that the Company establishes and maintains sound, appropriate and effective risk management and internal controls systems. The terms of reference including the major duties and functions of Risk Committee is set out in the Corporate's Website.

Composition and work done

The Risk Committee comprises five members, the majority of whom are Independent Non-executive Directors of the Company. Membership of the Risk Committee is set out in the table on page 98.

The Risk Committee meets at least twice a year. Additional meetings may be held as the work of the Risk Committee demands. During 2018, the Risk Committee held two meetings and dealt with the following matters:

- Received a report from the Internal Audit Department of the Group on the key risks and the mitigation actions taken by Management, together with a presentation of the key risks in the form of a risk map. Through this report, the Risk Committee concurred with Management with the principal risks identified and the actions taken;
- Discussed data protection and cyber security measures across the Group and adequacy of current procedures; and
- Reviewed the interim and the full year ESG reports from the Sustainability Steering Group of Management and reviewed the progress made by Management on environmental, social and governance matters for the six months ended 30 June 2018 and the year ended 31 December 2018 respectively.

The attendance records of Directors at all Committee meetings in 2018 are set out in the table in this CG Report on page 99.

PRINCIPAL RISKS

The Group is facing a number of principal risks and uncertainties that, if not property managed, could create an exposure for the Group. Through discussions with Management, the following major risks have been identified and discussed at a Risk Committee meetings.

Principal Risks	Description	Key Mitigations
Strategic Risks	• Terrestrial television audience and advertising revenue in decline due to technological disruption.	• To address the issue of loss of eyeballs, a second platform (myTV SUPER) was launched with more choices and selection of programmes and non-linear on-demand viewing services offered to TV viewers.
	• Deteriorating sales performance in TVBI licensing business. TVB licensing income from pay television operators in the Southeast Asia have been under threat as the operators have been severely hit amid technological disruption.	• Rolled out myTV SUPER to overseas to grow our B2C business called TVB Anywhere. This allows TVB to distribute its programme contents directly to overseas subscribers in areas such as Southeast Asia, Europe, North America etc.
	• Piracy activities seriously damaging TVB pay TV in overseas operations	• Working closely with local and overseas law enforcement authorities to combat piracy activities.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for formulating remuneration policy for Senior Management, making recommendations on annual remuneration review and determining remuneration of Executive Directors and members of Senior Management. The terms of reference including the major roles and functions of the Remuneration Committee is set out in the Corporate's Website.

THE REMUNERATION POLICIES

The key elements of the Group's remuneration policies are:

– remuneration should be set which is commensurate with pay levels in the market;

– remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the industry and the business; and

– no individual should determine his or her own remuneration.

COMPOSITION AND WORK DONE

The Remuneration Committee comprises three members, majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 98.

During 2018, the Remuneration Committee held two meetings which dealt with, inter-alia, the following matters:

- approved the grant of TVB Share Options to the Executive Directors and members of Senior Management;
- reviewed and approved the discretionary bonus pool to members of senior executives for 2018;
- reviewed and approved the specific discretionary bonus to members of Senior Management for 2018;

- approved the salary increments to members of Senior Management for 2019;
- reviewed and approved the remuneration package to the Group Chief Executive Officer for 2019 to 2022; and
- reviewed the fee levels for Chairman, Vice Chairman, Directors and the Board Committees.

The Remuneration Committee determines, with delegated authority in the terms of reference, the remuneration packages of individual Executive Directors and members of Senior Management.

REMUNERATION OF DIRECTORS

All Directors are entitled to a fixed Director's fee which fee was recommended by the Remuneration Committee, determined by the Board and approved by Shareholders.

The Chairman of the Board who is a Non-executive Director is remunerated by a fixed Chairman's fee. The Vice Chairman of the Board who is a Non-executive Director is remunerated by a fixed Vice Chairman's fee.

The Executive Directors are remunerated by way of a fixed Director's fee, salaries and other incentives, such as discretionary bonuses (which are determined and approved in recognition of her/her performance and contributions to the Company), and they are not entitled to any additional fees for serving on the Board Committees.

The Non-executive Directors are remunerated by a fixed Director's fee and the Board Committee fees, if they also serve on those Committees.

Any increases in Chairman's fee, Vice Chairman's fee and/or Director's fee shall be recommended and proposed by the Board and approved by Shareholders at general meetings. Any increases in fees to the chairman or members of the Board Committees shall be approved by the Board.

The annual fee paid/payable to the Directors for serving on the Board and the additional annual fees paid to Non-executive Directors for serving on the Board Committees for the year ended 31 December 2018 and 2019 are set out below:

Individual Director serving[1]	2019[3] Annual fees HK$	2018 Annual fees HK$
Board of Directors		
Chairman	300,000	300,000
Vice Chairman	280,000	280,000
Executive and Non-executive Directors	260,000	260,000
Executive Committee		
Chairman	195,000	195,000
Members	150,000	150,000
Audit Committee		
Chairman	190,000	190,000
Members	130,000	130,000
Remuneration Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Nomination Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Risk Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Investment Committee[2]		
Chairman	70,000	70,000
Members	55,000	55,000

Notes:

1 Committee's fees will only pay to the member(s) who is/are not an ED.

2 The Board noted the recommendation from the Remuneration Committee and approved a chairman's fee of HK$70,000 per annum and a member's fee of HK$55,000 per annum to the chairman and members of the Investment Committee retrospectively from 22 August 2018.

3 The Remuneration Committee and the Board decided to keep the existing fee level for 2019.

REMUNERATION OF SENIOR MANAGEMENT

Members of Senior Management are remunerated by way of salaries and other incentives, such as discretionary bonuses. The Remuneration Committee considers their performance and contribution to the Company as well as the market environment when assessing the annual bonus amounts for members of Senior Management.

NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and for determining the policy for nomination of Directors, the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship. The terms of reference including the major roles and functions of the Nomination Committee is set out in the Corporate's website.

COMPOSITION AND WORK DONE

The Nomination Committee comprises four members, the majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 98.

The Nomination Committee normally meets at least once a year. Additional meetings may be held as the work of the Nomination Committee demands.

During 2018, the Nomination Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed the Board composition;
- reviewed the independence of the INEDs; and
- reviewed and made recommendations to the Board the re-election of Directors at the 2018 AGM.

Pursuant to the recent Listing Rules amendment which took effect on 1 January 2019, the Board approved in December 2018 to amend the terms of reference of the Nomination Committee to undertake that it shall identify of individuals suitably qualified to become board members and select through the policy for nomination of Directors. The Company adopted the Nomination of Directors Policy in December 2018. The full text of the Nomination of Directors Policy is set out on page 114 of this annual report.

NOMINATION OF DIRECTORS

For considering the appointment of directors, the Nomination Committee identifies individuals suitably qualified to become board members and select through the policy for nomination of Directors, including the nomination procedures and criteria for selection and diversity policy, or make recommendations to the board on the selection of individuals nominated for directorship.

The Nomination Committee makes reference to criteria including, inter-alia, reputation for integrity, accomplishment and experience in the industry, time commitment, relevant interest, diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and independence (for INED only) in assessing the suitability of a proposed candidate.

REVIEW OF THE BOARD COMPOSITION

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee shall give adequate consideration to the following principles in carrying out its responsibilities in reviewing the Board composition:

- The Board should have a balance of skills, and experience and diversity of perspectives appropriate to the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including INEDs) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number in order for their views to carry weight.

- There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. The Company must explain the reasons for the resignation or removal of any director.

The Nomination Committee has considered the said principles when reviewing the Board composition. It has also considered the diversity of the Board and considered that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

INVESTMENT COMMITTEE

The Investment Committee was established on 22 August 2018 for the purposes of review the Company's portfolio of marketable securities and monitor its performance on a regular basis. The terms of reference including the major roles and functions of the Investment Committee is set out in the Corporate's Website.

COMPOSITION AND WORK DONE

The Investment Committee comprises four members with Independent Non-executive Director, Non-executive Director, Executive Director and Chief Financial Officer, and its membership is set out in the table on page 98.

The Investment Committee normally meets four times a year. Additional meetings may be held as the work of the Investment Committee demands.

During 2018, the Investment Committee held three meetings which dealt with, inter-alia, the following matters:

- reviewed the bond portfolio of the Company;
- reviewed and revised the treasury management guidelines;
- selected investment manager for the Company's investment portfolio; and
- reviewed the report from investment manager for the Company's investment portfolio and reported to the Board.

CORPORATE COMMUNICATION

DISCLOSURE OF INFORMATION

The Company adopted a policy of disclosing relevant information to shareholders and the public in a timely manner:

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's Website and the Corporate's Website;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at its Website for reference purpose;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with management; and
- reports and circulars are distributed to all registered shareholders.

The Board is vested with the responsibility to disseminate to shareholders and the public any inside information in the form of announcements and circulars, in accordance with the Listing Rules.

The Company maintained a Corporate's Website namely, www.corporate.tvb.com to provide a modern search engine for the news and information of the Company and its subsidiaries.

GENERAL MEETINGS

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the CG Code.

Pursuant to the Listing Rules, notice of annual general meeting is sent to all shareholders at least 20 clear business days before the meeting, and at least 10 clear business days for all other general meetings setting out details of each proposed resolution, poll procedures and other relevant information.

Voting by poll is mandatory at all general meetings except where the chairman of a general meeting, in good faith, decides to allow a resolution which purely relates to a procedural and administrative matter (as defined under the Listing Rules) to be voted on by a show of hand.

The chairman of a general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Poll results are released on the Exchange's website and the Corporate's Website, in accordance with the requirements under the Listing Rules.

Separate resolutions are proposed for each substantially separate issue and are voted by poll at the general meetings. The Chairman of the Board shall attend the annual general meeting and shall invite the chairman of the Board Committees to attend and they should be available to answer questions at the meeting.

Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Management of the Company shall ensure the external auditor attends the annual general meeting to answer the questions about the audit.

RELATIONSHIPS WITH SHAREHOLDERS

The Board is committed to maintaining a high degree of corporate transparency, as well as employing a policy of open communication with shareholders. The Company ensures that information is appropriately disseminated to shareholders on a timely basis in compliance with the Listing Rules.

At the Company's annual general meetings, shareholders are provided with an opportunity to communicate face-to-face with the Directors, reflecting the Board's commitment to provide a high degree of accountability. At semi-annual results briefing sessions following the release of results, Senior Management presents and discusses with securities analysts the Company's financial performance and business strategies.

There was no change to the Company's constitutional documents during 2018.

The Company has designated the Head of Investor Relations to provide a two-way communication between management and the investment community to update investors and analysts on business strategies and developments, as well as to collect market feedback and opinion. Such communication would include face-to-face meetings at the Company's premises or at investment conferences organized by investment banks in Hong Kong or abroad and/or conference calls. In addition, the Company had initiated non-deal roadshows to build a two way communications with a wider investor group. Other officers of the Company may participate in meetings to further strengthen the market's understanding of the Company's businesses.

The Company has assigned an email account ir@tvb.com.hk for communication with shareholders. Furthermore, the Company keeps its website www.corporate.tvb.com up-to-date with press releases and announcements for easy access by shareholders.

2018 ANNUAL GENERAL MEETING

The 2018 AGM was held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 23 May 2018 at 4:00 p.m. All Directors attended the 2018 AGM. The total number of shares entitling the holders to attend and vote on all of the resolutions at the AGM was 317,102,884 shares, representing approximately 72.4% of the total number of shares of the Company.

The matters resolved at the 2018 AGM were as follows:

- To receive and adopt the Audited Financial Statements and the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2017;
- To declare final and special dividends for the year ended 31 December 2017;
- To re-elect the following retiring Directors Mr. Cheong Shin Keong, Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Mr. Chen Wen Chi, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling, Dr. Allan Zeman by separate resolutions;
- To approve the Chairman's fee;
- To approve the Vice Chairman's fee;
- To approve an increase in Director's fee;
- To re-appoint PricewaterhouseCoopers as the auditor of the Company and authorise Directors to fix its remuneration;

- To grant a general mandate to Directors to issue 10% additional shares;
- To grant a general mandate to Directors to repurchase 10% issued shares;
- To extend the authority given to the Directors under resolution to shares repurchased under the authority under resolution to general mandate; and
- To extend the book close period from 30 days to 60 days.

2019 ANNUAL GENERAL MEETING

The 2019 AGM has been scheduled to take place at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 22 May 2019.

SHAREHOLDERS' RIGHTS

CONVENING GENERAL MEETING AND MAKING PROPOSALS AT SHAREHOLDERS MEETING

Pursuant to the Companies Ordinance, the procedures for shareholders of the Company ("Shareholders") to convene a general meeting other than annual general meeting ("EGM") and to make proposals at shareholders' meetings are set out below.

1. Shareholders holding at least 5% of the total voting rights of all the members having a right to vote at general meetings can send a written request to convene an EGM to the Company Secretary.
2. The written request must state the objects of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.
3. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, no EGM will be convened as requested.
4. The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM varies according to the nature of the proposal, as follows:
   - 14 days' notice in writing if the proposal constitutes an ordinary resolution or a special resolution of the Company.
   - 28 days' notice in writing if the proposal requires the serving of a special notice under the Companies Ordinance.

Proposals from Shareholders for convening an EGM and to make proposals at shareholders' meetings should be sent to the Company at its registered address or email to companysecretary@tvb.com.hk.

ENQUIRY

SHAREHOLDERS' COMMUNICATION POLICY AND COMMUNICATION CHANNELS

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy for maintaining an ongoing dialogue with its Shareholders.

The Board reviews the Shareholders' Communication Policy on a regular basis to ensure its effectiveness and that it meets the best market practice. Full text of the Shareholders' Communication Policy is available on the Corporate's Website.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 20 March 2019

Television Broadcasts Limited
Dividend Policy

1.1 The Company supports a policy to provide a steady dividend return to shareholders.

1.2 Dividend distribution to the Company's shareholders should be approved by its shareholders or Directors, where appropriate.

1.3 The Directors may from time to time declare and pay such interim dividends as appear to the Directors to be justified by the profits of the Company, on such dates and in respect of such periods as they think fit. The Directors may also declare and pay, half-yearly or at other suitable intervals as may be determined by them, any dividend which may be payable at a fixed rate if the Directors are of the opinion that the profits of the Company justify the payment.

1.4 The Directors may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as they think fit, and the provisions of this Article as regards the powers and exemption from liability of the Directors as relate to the declaration and payment of interim dividends shall apply, mutatis mutandis, to the declaration and payment of all such special dividends.

1.5 No dividend shall be payable except out of the profits of the Company available for distribution.

1.6 The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Television Broadcasts Limited
Nomination of Directors Policy

1. OBJECTIVE

1.1 The Nomination Committee of the Board of the Committee ("NC") shall nominate suitable candidates to the Board for appointment as directors of the Company ("Director(s)") to fill casual vacancies.

1.2 The NC may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed by the Board or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2. SELECTION CRITERIA

2.1 The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.

- Reputation for integrity
- Accomplishment and experience in the Media and Entertainment industry
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The above factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

2.2 Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election/re-election as a Director.

2.4 The NC may request candidates to provide additional information and documents, if considered necessary.

3. NOMINATION PROCEDURES

3.1 The Secretary of the NC shall present the biographical details of the candidates a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.

3.2 For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

3.8 As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a Director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

4. CONFIDENTIALITY

Unless required by law or any regulatory authority, under no circumstances shall a member of the NC or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders, as the case may be, is issued. Following the issue of the circular, the NC or Company Secretary or other staff member of the Company approved by the NC may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Television Broadcasts Limited
Board Diversity Policy

1. PURPOSE

1.1 This Policy aims to set out the approach to achieve diversity on the Company's board of directors ("Board").

2. VISION

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. POLICY STATEMENT

3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objective and its sustainable development. In designing of Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and business experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. MEASURABLE OBJECTIVES

4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and business experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender and age) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

5.1 The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

6. REVIEW OF THIS POLICY

6.1 The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. DISCLOSURE OF THIS POLICY

7.1 This Policy will be published on the Company's website for public information.

7.2 This Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

	2018 HK$'mil	2017 HK$'mil	2016 HK$'mil	2015 HK$'mil	2014 HK$'mil (Restated) Note
Revenue	**4,477**	4,336	4,210	4,455	4,912
(Loss)/profit before income tax	**(124)**	358	553	126	1,482
Income tax expense	**53**	94	105	144	221
(Loss)/profit attributable to equity holders of the Company	**(199)**	244	500	1,331	1,410
(Loss)/earnings per share	**HK$(0.45)**	HK$0.56	HK$1.14	HK$3.04	HK$3.22
Non-current					
Property, plant and equipment	**1,811**	1,875	1,797	1,687	3,068
Investment properties	**29**	31	101	684	10
Land use rights	**49**	54	55	60	66
Intangible assets	**140**	86	59	27	116
Interests in joint ventures	**707**	769	20	30	45
Interests in associates	**162**	169	160	–	531
Financial assets at fair value through other comprehensive income/ available-for-sale financial assets	**40**	47	47	47	–
Financial assets at amortised cost/ held-to-maturity financial assets	**2,241**	712	524	–	–
Financial assets at fair value through profit or loss	**330**	–	–	–	–
Loan and receivables	**–**	–	–	143	–
Other non-current assets	**101**	120	122	93	64
Current assets	**4,646**	8,153	9,471	6,342	6,657
Current liabilities	**(791)**	(887)	(937)	(720)	(1,343)
	9,465	11,129	11,419	8,393	9,214
Share capital	**664**	664	664	664	664
Reserves	**5,519**	6,331	6,401	7,016	7,861
Shareholders' funds	**6,183**	6,995	7,065	7,680	8,525
Non-controlling interests	**124**	162	165	156	179
Non-current liabilities	**3,158**	3,972	4,189	557	510
	9,465	11,129	11,419	8,393	9,214

Note:

The financial results for Liann Yee Group were presented as discontinued operations and comparative figures for 2014 have been restated accordingly.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE MEMBERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 212, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

As further disclosed in notes 13(b) and 14 to the consolidated financial statements, as at 31 December 2018, the Group held a US$23 million (approximately HK$180 million) principal amount 9.5% unsecured redeemable fixed coupon bonds due in April 2020 (the "Fixed Coupon Bonds") and a US$83 million (approximately HK$650 million) principal amount 7.5% secured redeemable convertible bonds due in May 2020 (the "Convertible Bonds") (or collectively "Bonds"), both were issued by SMI Holdings Group Limited ("SMI", and together with SMI's subsidiaries hereinafter referred to as "SMI Group"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Fixed Coupon Bonds are recognised as financial assets at amortised cost while the Convertible Bonds are recognised as financial assets at fair value through profit or loss, both of which are classified as non-current assets in the consolidated statement of financial position. Under the subscription agreement of the Convertible Bonds and a related share charge agreement with SMI dated 7 May 2018, the Convertible Bonds are secured by way of a priority charge against 100% of the issued share capital of SMI International Cinemas Limited ("SMI International", an indirect wholly owned subsidiary of SMI) (the "Collateral"). Based on the 2017 annual report of SMI, SMI International is an investment holding company that owns 41.34% of the registered capital of Chengdu Runyun Culture Broadcasting Limited ("Chengdu Runyun"). Chengdu Runyun and its subsidiaries (together, the "Chengdu Runyun group") operates SMI's principal business as cinema operators in a number of cities in the People's Republic of China ("PRC").

Trading of SMI's shares has been suspended on the Stock Exchange since 3 September 2018 and has not been resumed as at the date of this report. The suspension of trading of SMI's shares for a period of more than ten consecutive trading days has triggered an event of default for both Bonds in accordance with the respective subscription agreements. SMI has made announcements that since its trading suspension, SMI and certain of its subsidiaries have defaulted in certain borrowings. SMI has also announced that it is in negotiations with its lenders and creditors in relation to debt restructuring including conversion of debts to equity.

As further described in note 13(b), management performed an impairment assessment of the Fixed Coupon Bonds using lifetime expected credit loss model, which estimated the eventual shortfall of cash recoverable from the Fixed Coupon Bonds. Based on management's impairment assessment, a full impairment charge of the Fixed Coupon Bonds of HK$180 million was recognised for the year ended 31 December 2018. The impairment assessment used key inputs based on financial information extracted from the 2017 audited financial statements and 2018 interim financial information of SMI Group and other forward looking factors in view of SMI's recent announcements.

In addition, management performed a fair value assessment of the Convertible Bonds in respect of the debt and equity conversion features, together with the Collateral pledged against the Convertible Bonds. As a result of the assessment performed on the Fixed Coupon Bonds as described in note 13(b) and the suspension of trading of SMI's shares, management considered the debt and equity conversion features of the Convertible Bonds would have a minimal value. Therefore, management has determined to perform a fair value assessment on the Collateral. Management has engaged an independent external valuer to perform a valuation of the Chengdu Runyun group using the discounted cash flow model under the income approach, which is further described in note 14. The fair value assessment has adopted certain key operating assumptions provided by SMI, including number of cinemas, cinema attendance rates, ticket price, market discount rate and terminal growth rates. Based on the fair value assessment, the Group recognised a fair value loss of HK$320 million on the Convertible Bonds for the year ended 31 December 2018.

Management considered that the information used in the above assessments represented the best available estimates despite the lack of latest financial and other information of SMI Group and Chengdu Runyun group. Management expects the Bonds are to be realised more than 12 months after 31 December 2018.

As of the date of this report, SMI has not announced its audited results for the year ended 31 December 2018 nor provided more details in its announcements about the extent of its liabilities and pledge of its assets against borrowings or its current status of operations. Management was not able to provide other sources of information nor were we able to have access to SMI, SMI International and Chengdu Runyun group to obtain collaborative evidence. We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess or corroborate the appropriateness of the key inputs and key assumptions adopted by management in their assessments, which included but not limited to (i) the latest audited financial information of SMI, SMI International and Chengdu Runyun group as at and for the year ended 31 December 2018; (ii) the latest equity interest of SMI International in Chengdu Runyun; (iii) other evidence to assess the current status and extent of SMI Group's pledge of assets, extent of its borrowings and the status of its debt restructuring; and (iv) other key operating assumptions about SMI Group and Chengdu Runyun group, which would impact the results of the impairment assessment of the Fixed Coupon Bonds and the fair value assessment of the Convertible Bonds.

Given the above scope limitation, there were no other satisfactory procedures that we could perform to determine whether the classification of financial assets at amortised cost of the Fixed Coupon Bonds and the financial assets at fair value through profit or loss of the Convertible Bonds as non-current assets were appropriate; and whether any adjustments to the carrying values of the Fixed Coupon Bonds carried at nil balance and the Convertible Bonds of HK$330 million and the corresponding impairment charge of HK$180 million and fair value loss of HK$320 million recognised respectively for the year then ended were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter identified in our audit is related to the programme costs and film rights.

Key Audit Matter	How our audit addressed the Key Audit Matter
Programme costs and film rights *Refer to notes 2, 4(d) and 24 of the consolidated financial statements* The programme costs and film rights recognised as an expense for the year ended 31 December 2018 was HK$1,810 million, representing the amortisation charges in respect of the programme cost and film rights, which constituted the largest single expense item charged to the consolidated income statement. In determining the allocation, timing and amount of the recognition of the programme costs and film rights, significant judgements and estimates were considered by the Group, in particular the following aspects: • Allocation of programme costs and film rights to each of the terrestrial broadcasting, digital new media and licensing and distribution market platforms with reference to their respective economic benefits brought to the Group. • Timing and amount of amortisation based on the expected consumption pattern, number of planned transmissions or duration of the license period, whichever is more relevant and prevailing.	We assessed whether the accounting policy of the Group in respect of the amortisation of programme costs and film rights was reasonable. This assessment included benchmarking the policy against industry practice. We also tested whether the accounting policy was consistently applied year on year. We gained an understanding of the rationale behind the basis of allocation and amortisation pattern and tested the design and implementation of controls over the recognition, allocation and amortisation of the programme costs and film rights. We also evaluated the Group's assessment as to whether the existing allocation and amortisation were in line with the consumption pattern and economic benefit in which the programme costs and film rights were consumed by reference to past experience and the consumption rate for similar types of programmes, and assessing the reasonableness of the projected viewership of the programmes that would likely be achieved over the broadcasting period. We obtained management's full list of programmes and film rights, checked the completeness of the list by agreeing the list to the records in the programmes system and tested the calculation of the amortisation for a sample of programmes and film rights. We found the assumptions and judgements made by the Group in respect of the allocation and amortisation of the programme costs and film rights to be supportable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the classification and carrying values of the investments in the Fixed Coupon Bonds and Convertible Bonds as at 31 December 2018 and the corresponding impairment charge and fair value loss recognised in the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the classification and carrying values of the investments in the Fixed Coupon Bonds and Convertible Bonds as at 31 December 2018 and the corresponding impairment charge and fair value loss recognised in the year as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

The engagement partner on the audit resulting in this independent auditor's report is Yau Lai Ting, Cecilia.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,811,070**	1,874,535
Investment properties	7	**29,367**	31,106
Land use rights	8	**49,486**	54,301
Intangible assets	9	**140,160**	85,587
Interests in joint ventures	10	**707,242**	769,138
Interests in associates	11	**162,129**	169,486
Financial assets at fair value through other comprehensive income	12	**39,775**	–
Financial assets at amortised cost	13	**2,241,328**	–
Financial assets at fair value through profit or loss	14	**330,015**	–
Deferred income tax assets	22	**16,060**	26,488
Prepayments	16	**83,982**	93,429
Available-for-sale financial assets	12	**–**	47,436
Held-to-maturity financial assets	13	**–**	711,829
Total non-current assets		**5,610,614**	3,863,335
Current assets			
Programmes and film rights		**969,842**	874,448
Stocks	15	**40,912**	40,774
Trade and other receivables, prepayments and deposits	16	**2,297,450**	1,901,981
Interests in joint ventures	10	**30,375**	27,068
Tax recoverable		**21,296**	3,597
Financial assets at amortised cost	13	**15,652**	–
Restricted cash	17	**1,406**	4,306,886
Bank deposits maturing after three months	17	**56,928**	61,227
Cash and cash equivalents	17	**1,211,892**	831,301
Non-current asset held for sale	31	**–**	42,555
Held-to-maturity financial assets	13	**–**	62,737
Total current assets		**4,645,753**	8,152,574
Total assets		**10,256,367**	12,015,909
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	**664,044**	664,044
Other reserves	19	**125,241**	148,277
Retained earnings		**5,393,453**	6,182,512
		6,182,738	6,994,833
Non-controlling interests		**124,293**	162,214
Total equity		**6,307,031**	7,157,047
LIABILITIES			
Non-current liabilities			
Borrowings	21	**3,016,923**	3,814,406
Deferred income tax liabilities	22	**141,560**	157,248
Total non-current liabilities		**3,158,483**	3,971,654

	Note	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade and other payables and accruals	20	**740,081**	871,667
Current income tax liabilities		**23,390**	15,541
Borrowings	21	**27,382**	–
Total current liabilities		**790,853**	887,208
Total liabilities		**3,949,336**	4,858,862
Total equity and liabilities		**10,256,367**	12,015,909

The consolidated financial statements on pages 124 to 212 were approved by the Board of Directors on 20 March 2019 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 131 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**4,477,306**	4,335,731
Cost of sales		**(2,336,635)**	(2,319,299)
Gross profit		**2,140,671**	2,016,432
Other revenues	5	**17,477**	24,104
Interest income	5	**255,179**	117,910
Selling, distribution and transmission costs		**(757,726)**	(723,704)
General and administrative expenses		**(967,243)**	(902,745)
Other (losses)/gains, net	28	**(45,257)**	19,138
(Impairment loss)/reversal of impairment loss on trade receivables		**(26,420)**	2,512
Impairment loss on bond securities at amortised cost	13	**(206,125)**	–
Fair value loss on financial assets at fair value through profit or loss	14	**(320,000)**	–
Gain on disposal of investment properties	31	**27,058**	18,483
Professional fees incurred for the aborted share buy-back offer		**–**	(28,730)
Finance costs	29	**(128,495)**	(152,379)
Share of losses of joint ventures		**(113,968)**	(31,517)
Share of profits/(losses) of associates		**809**	(1,589)
(Loss)/profit before income tax	24	**(124,040)**	357,915
Income tax expense	30	**(52,948)**	(94,365)
(Loss)/profit for the year		**(176,988)**	263,550
(Loss)/profit attributable to:			
Equity holders of the Company		**(199,080)**	243,621
Non-controlling interests		**22,092**	19,929
		(176,988)	263,550
(Loss)/earnings per share (basic and diluted) for (loss)/profit attributable to equity holders of the Company during the year	32	**HK$(0.45)**	HK$0.56

The notes on pages 131 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year	**(176,988)**	263,550
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**(27,718)**	86,667
– Joint ventures	**848**	(1,307)
Share of other comprehensive (loss)/income of an associate	**(8,166)**	11,152
Reclassification adjustments of exchange to profit or loss on liquidation of a subsidiary	**(671)**	–
	(35,707)	96,512
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	**(7,661)**	–
Other comprehensive (loss)/income for the year, net of tax	**(43,368)**	96,512
Total comprehensive (loss)/income for the year	**(220,356)**	360,062
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(232,379)**	328,088
Non-controlling interests	**12,023**	31,974
Total comprehensive (loss)/income for the year	**(220,356)**	360,062

The notes on pages 131 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017		664,044	3,053	6,397,589	7,064,686	165,405	7,230,091
Comprehensive income:							
Profit for the year		–	–	243,621	243,621	19,929	263,550
Other comprehensive income:							
Currency translation difference							
– Group		–	74,622	–	74,622	12,045	86,667
– Joint ventures		–	(1,307)	–	(1,307)	–	(1,307)
Share of other comprehensive income of an associate		–	11,152	–	11,152	–	11,152
Total comprehensive income, net of tax		–	84,467	243,621	328,088	31,974	360,062
Transactions with owners:							
Transferred to legal reserve	19	–	64,498	(64,498)	–	–	–
2017 first interim dividends paid		–	–	(262,800)	(262,800)	–	(262,800)
2017 second interim dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
Total contributions by and distributions to owners		–	64,498	(458,698)	(394,200)	–	(394,200)
Change in ownership interests in subsidiaries without change of control	38	–	(3,741)	–	(3,741)	(35,165)	(38,906)
Total transactions with owners		–	60,757	(458,698)	(397,941)	(35,165)	(433,106)
Balance at 31 December 2017		664,044	148,277	6,182,512	6,994,833	162,214	7,157,047

	Note	Attributable to equity holders of the Company				Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000		
Balance at 31 December 2017 as originally presented		664,044	148,277	6,182,512	6,994,833	162,214	7,157,047
Change in accounting policy	2.1(a)(ii)	–	–	(12,397)	(12,397)	–	(12,397)
Restated total equity as at 1 January 2018		664,044	148,277	6,170,115	6,982,436	162,214	7,144,650
Comprehensive loss:							
Loss for the year		–	–	(199,080)	(199,080)	22,092	(176,988)
Other comprehensive loss:							
Currency translation differences							
– Group		–	(17,649)	–	(17,649)	(10,069)	(27,718)
– Joint ventures		–	848	–	848	–	848
Share of other comprehensive loss of an associate		–	(8,166)	–	(8,166)	–	(8,166)
Reclassification adjustments of exchange to profit or loss on liquidation of a subsidiary		–	(671)	–	(671)	–	(671)
Revaluation of financial assets at fair value through other comprehensive income	19	–	(7,661)	–	(7,661)	–	(7,661)
Total comprehensive loss, net of tax		–	(33,299)	(199,080)	(232,379)	12,023	(220,356)
Transactions with owners:							
Share-based payments	19	–	24,125	–	24,125	–	24,125
Transferred to legal reserve	19	–	8,182	(8,182)	–	–	–
2017 final dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
2017 special dividends paid		–	–	(306,600)	(306,600)	–	(306,600)
2018 interim dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
Total contributions by and distributions to owners		–	32,307	(577,582)	(545,275)	–	(545,275)
Change in ownership interests in subsidiaries without change of control	38	–	(22,044)	–	(22,044)	(49,944)	(71,988)
Total transactions with owners		–	10,263	(577,582)	(567,319)	(49,944)	(617,263)
Balance at 31 December 2018		**664,044**	**125,241**	**5,393,453**	**6,182,738**	**124,293**	**6,307,031**

The notes on pages 131 to 212 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**199,337**	304,368
Hong Kong tax paid		**(47,648)**	(49,338)
Hong Kong tax refunded		**1,127**	45,723
Overseas tax paid		**(21,716)**	(218,764)
Net cash generated from operating activities		**131,100**	81,989
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		**(336,568)**	(451,753)
Purchases of intangible assets		**(65,969)**	(31,392)
Purchases of bond securities at amortised cost		**(1,710,621)**	(289,178)
Purchases of convertible bonds at fair value through profit or loss		**(651,509)**	–
Redemption of bond securities at amortised cost		**15,632**	33,149
Redemption of certificates of deposit		**–**	775,400
Investment in a joint venture		**–**	(266,810)
Loan to a joint venture		**–**	(520,383)
Fund advanced repaid by a joint venture		**12,159**	7,700
Decrease in bank deposits maturing after three months		**4,299**	615,766
Net proceeds from disposal of investment properties		**70,741**	39,783
Proceeds from disposal of property, plant and equipment		**1,955**	2,737
Interest received		**164,529**	98,947
Net cash (used in)/generated from investing activities		**(2,495,352)**	13,966
Cash flows from financing activities			
Purchase of Notes		**(805,823)**	(65,872)
Interest paid		**(127,742)**	(145,430)
Acquisition of additional interest in subsidiaries		**(71,988)**	(38,906)
Decrease/(increase) in restricted cash		**4,305,480**	(4,300,773)
Dividends paid to equity holders of the Company		**(569,400)**	(394,200)
Net cash generated from/(used in) financing activities		**2,730,527**	(4,945,181)
Net increase/(decrease) in cash and cash equivalents		**366,275**	(4,849,226)
Cash and cash equivalents at 1 January		**831,301**	5,520,962
Effect of foreign exchange rate changes		**(13,066)**	159,565
Cash and cash equivalents at 31 December		**1,184,510**	831,301
Analysis of cash and cash equivalents:			
Short-term bank deposits maturing within three months		**658,209**	453,298
Cash at bank and on hand		**553,683**	378,003
Less: Bank overdraft		**(27,382)**	–
		1,184,510	831,301

The notes on pages 131 to 212 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Television Broadcasts Limited (the "Company") and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities. The principal activities of the principal subsidiaries are detailed in Note 43.

The Company is a limited liability company incorporated and listed in Hong Kong. Its registered office is at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2019.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Notes 2.1 and 2.11.

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

(a) New and amended standards adopted by the Group

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

- HKFRS 9, "Financial instruments" and
- HKFRS 15, "Revenue from contracts with customers".

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

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

2.1 Basis of preparation (continued)

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

HKFRS 9 – Impact of adoption

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

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

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

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

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

(i) Classification and measurement

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

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

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

2.1 Basis of preparation (continued)

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

(i) Classification and measurement (continued)

The main effects resulting from this reclassification are as follows:

Reclassification from available-for-sale to FVOCI

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

Reclassification from held-to-maturity to amortised cost

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

(ii) Impairment of financial assets

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

Trade receivables

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

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

2.1 Basis of preparation (continued)

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

(ii) Impairment of financial assets (continued)

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

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

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

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

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

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

2.1 Basis of preparation (continued)

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

(ii) Impairment of financial assets (continued)

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

Debt investments

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

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

Investments and other financial assets

Classification

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

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and

– those to be measured at amortised cost.

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

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

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

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

2.1 Basis of preparation (continued)

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

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

Investments and other financial assets (continued)

Measurement

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

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

Debt investments

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

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

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

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

2.1 Basis of preparation (continued)

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

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

Investments and other financial assets (continued)

Debt investments (continued)

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

Equity instruments

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

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

Impairment

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

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

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

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

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

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

2.1 Basis of preparation (continued)

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

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

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

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

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

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

2.1 Basis of preparation (continued)

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

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

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

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

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

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Date of adoption by Group

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

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$104,237,000. The Group preliminarily estimates that approximately 16% of these relate to payments for short-term and low value leases under HKFRS 16 can be exempted from inclusion of the statement of financial position and which will be recognised on a straight-line basis as an expense in profit or loss. Upon adoption of HKFRS 16, the remaining operating lease commitments will be recognised in the consolidated financial statements as right-of-use assets, with corresponding lease liabilities. However, the Group assessed that there would not be significant effect on the Group's profit and classification of cash flows.

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

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group that do not result in loss of control. For purchases or disposals of interests from non-controlling interests, the difference between any consideration paid/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

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

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

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

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

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

2.2 Consolidation (continued)

(d) Disposal of subsidiaries and associates

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

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equal or exceed its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Investment in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the purposes of allocating resources to each of the segments and assessing its performance.

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of which results in loss of control or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture, fixtures and equipment and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for these purposes are as follows:

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

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

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

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

2.6 Investment properties

Investment properties are defined as properties held to earn rentals or for capital appreciation or both. The Group has applied the cost model to its investment property. The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.9). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 25 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the consolidated income statement when the changes arise.

2.7 Land use rights

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the rights.

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

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary, an associate or a joint venture over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately in the consolidated statement of financial position (Note 2.2(a)). Goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures, respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately as expenses and are not subsequently reversed. The determination of gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

(b) Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 - 15 years.

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

2.9 Impairment of investments in subsidiaries, associates, joint ventures and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines at each reporting date whether there is any objective evidence that these investments and other non-financial assets are impaired. An impairment loss is recognised in the income statement for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

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

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

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

2.11 Financial assets

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

Accounting policies applied until 31 December 2017

Classification

Until 31 December 2017, the Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

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

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

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

2.11 Financial assets (continued)

Recognition and measurement

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

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

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

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

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

Derecognition

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

2.12 Impairment of financial assets

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

(a) Assets carried at amortised cost

Until 31 December 2017, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

2.12 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

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

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

(b) Assets classified as available-for-sale

Until 31 December 2017, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Programmes and film rights

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

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads.

The cost of programmes is apportioned between the domestic terrestrial TV/over-the-top ("OTT") markets and the overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees.

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

2.13 Programmes and film rights (continued)

(a) Programme cost (continued)

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

The cost of programmes for satellite channels is expensed in accordance with a formula computed to amortise the cost over a maximum of three transmissions.

(b) Film rights

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

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs, OTT set-top boxes and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade and other payables

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

2.19 Borrowings and borrowing costs

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

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

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

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

2.20 Current and deferred income tax

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

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

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

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

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

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

2.21 Share-based payments

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

Employee options

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

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

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

2.21 Share-based payments (continued)

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

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

2.22 Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee - administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and who are located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff who joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of the individual's "relevant income" with a maximum amount of HK$1,500 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff who joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,500 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment).

The retirement schemes which cover employees located in overseas locations are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

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

2.23 Provisions

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

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

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

2.24 Financial guarantees

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

2.25 Revenue recognition

Income from advertisers includes advertising income, sponsorship income and commercial production income. Advertising income net of agency deductions is recognised over time (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a magazine; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms. Sponsorship income is recognised over time when the programmes are telecast. Commercial production income is recognised over time when the commercials are delivered to advertisers.

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

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

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

2.25 Revenue recognition (continued)

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

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

Income from sales of decoders and sales of magazines is recognised at a point in time upon delivery of products. Movie income is recognised over time when the movie picture is exhibited over a period and the right to receive payment is established. Income from other services, which includes management fee income, facility rental income and other service fee income, is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance.

2.26 Dividend and interest income

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

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

2.27 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

(c) Finance leases (as lessee)

Leases of land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased land and the present value of the minimum lease payments.

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

2.28 Related parties

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

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

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

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

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

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

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

2.29 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal floating interest bearing assets are cash balances and bank deposits. The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to selecting terms which are most favourable to the Group.

Sensitivity analysis in 2018 and 2017 has been conducted on bank deposits. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's loss after taxation for the year would have decreased/increased by HK$6,157,000 (2017: profit after taxation would have increased/decreased by HK$47,217,000) in respect of bank deposits.

(b) Credit risk

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

(c) Liquidity risk

The Group employs cash flow forecasting to manage liquidity risk by forecasting the amount of cash required (including working capital, loan repayments, dividend payments and potential new investments) and by maintaining sufficient cash and adequate undrawn banking facilities to ensure our funding requirements are met.

The Group's financial liabilities include trade payables, other payables, accruals and borrowings. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including future interest payments).

	2018		2017	
	Borrowings HK$'000	**Trade and other payables and accruals HK$'000**	Borrowings HK$'000	Trade and other payables and accruals HK$'000
Within 1 year	**137,472**	**406,627**	139,261	406,780
Between 1 and 2 years	**110,090**	**–**	139,261	–
Between 2 and 5 years	**3,147,068**	**–**	4,120,209	–
	3,394,630	**406,627**	4,398,731	406,780

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratios. This ratios are calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity as shown in the consolidated statement of financial position is total capital.

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

The gearing ratio at 31 December 2018 and 2017 was as follows:

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

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are analysed by below valuation method. The different methods have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2018 and 2017, the fair value measurement of the Group's available-for-sale financial assets/financial assets at FVOCI and FVPL is classified in level 3.

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

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

There was no transfer between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Financial assets at amortised cost

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

(b) Useful lives of property, plant and equipment and investment properties

In accordance with HKAS 16 and HKAS 40, the Group estimates the useful lives of property, plant and equipment and investment properties in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(c) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

(d) Programme costs and film rights

The Group allocates and amortises the programme costs and film rights to each of the terrestrial TV platform, digital new media platform and licensing and distribution market based on their potential benefits brought to the Group and the expected consumption pattern. Management regularly reviews the basis of the allocation and amortisation and will adjust the allocation and amortisation method when the expected changes in respective economic benefit, consumption pattern or consumption rate arise. Impairment loss is recognised when there is an indication that the estimated recoverable amount of individual programme is less than its carrying value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Fair value estimation of financial assets at FVPL

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

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, co-production income, as well as other income from e-commerce income, sales of magazines, management fee income, movie income, facility rental income and other service fee income.

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

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

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

The Group is principally engaged in terrestrial television broadcasting with programme production, myTV SUPER, Big Big Channel business, programme licensing and distribution, overseas pay TV and TVB Anywhere, and other activities.

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance. During the year, the Group has determined to merge "Channel operations" into "Programme licensing and distribution" in view of similar business to distribute television channels operated by these two segments. In addition, the Group has renamed the segments "Hong Kong digital new media business" and "Overseas pay TV operations" to "myTV SUPER" and "Overseas pay TV and TVB Anywhere" respectively. The directors of the Company consider that the changes in the reportable segments would be useful to users of the consolidated financial statements. As such, the comparative figures have been adjusted to conform with the reclassification.

The Group has following reportable segments:

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas
(b)	myTV SUPER	–	operation of myTV SUPER OTT service and website portals
(c)	Big Big Channel business	–	Big Big Channel (online social media platform), Big Big Shop (e-commerce platform) and music entertainment. The online social media business is undertaken by Big Big Channel Limited, which became a subsidiary in November 2016 and was previously engaged in Hong Kong pay TV business prior to the surrender of the pay TV licence in June 2017
(d)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media operators in Mainland China, Malaysia, Singapore and other countries
(e)	Overseas pay TV and TVB Anywhere	–	provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences
(f)	Other activities	–	magazine publications, movie, property investment and other services
(g)	Corporate support	–	financing services, and new media platforms development and IT support services for the Group

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

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

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

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

	Hong Kong TV broadcasting HK$'000	myTV SUPER HK$'000	Big Big Channel business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV and TVB Anywhere HK$'000	Other activities HK$'000	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2018									
Revenue									
External customers	2,923,441	402,050	87,274	869,867	140,239	54,435	–	–	4,477,306
Inter-segment	49,721	42,847	15,296	60,588	–	7,905	66,555	(242,912)	–
Total	2,973,162	444,897	102,570	930,455	140,239	62,340	66,555	(242,912)	4,477,306
Timing of revenue recognition									
At a point in time	24,183	1,488	3,153	205,039	70	13,831	–	–	247,764
Over time	2,899,258	400,562	84,121	664,828	140,169	40,604	–	–	4,229,542
Total revenue from external customers	2,923,441	402,050	87,274	869,867	140,239	54,435	–	–	4,477,306
Reportable segment profit before the following items	172,676	15,625	(19,437)	414,340	(15,506)	(16,751)	(128,728)	–	422,219
Impairment loss on bond securities at amortised cost	(206,125)	–	–	–	–	–	–	–	(206,125)
Fair value loss on financial assets at fair value through profit or loss	(320,000)	–	–	–	–	–	–	–	(320,000)
Gain on disposal of investment properties	–	–	–	–	–	27,058	–	–	27,058
Reportable segment loss	(353,449)	15,625	(19,437)	414,340	(15,506)	10,307	(128,728)	–	(76,848)
Interest income#	177,269	29	6	10,407	56	1,445	–	–	189,212
Finance costs	–	–	–	–	–	–	(128,495)	–	(128,495)
Depreciation and amortisation	(295,622)	(90,970)	(5,221)	(12,013)	(5,872)	(5,003)	(6,065)	–	(420,766)
Additions to non-current assets*	249,582	76,148	3,262	8,346	7,332	139	57,728	–	402,537
For the year ended 31 December 2017 (restated)									
Revenue									
External customers	2,817,857	280,295	44,008	954,654	151,257	87,660	–	–	4,335,731
Inter-segment	52,058	25,649	24,674	61,974	–	5,654	–	(170,009)	–
Total	2,869,915	305,944	68,682	1,016,628	151,257	93,314	–	(170,009)	4,335,731
Timing of revenue recognition									
At a point in time	7,136	1,538	4,240	15,838	64	21,896	–	–	50,712
Over time	2,810,721	278,757	39,768	938,816	151,193	65,764	–	–	4,285,019
Total revenue from external customers	2,817,857	280,295	44,008	954,654	151,257	87,660	–	–	4,335,731
Reportable segment profit before gain on disposal of investment properties	164,978	(84,875)	(10,915)	504,223	(52,960)	6,203	(152,379)	–	374,275
Gain on disposal of investment properties	–	–	–	–	–	18,483	–	–	18,483
Reportable segment profit	164,978	(84,875)	(10,915)	504,223	(52,960)	24,686	(152,379)	–	392,758
Interest income#	81,775	75	414	4,729	166	3,758	–	–	90,917
Finance costs	–	–	–	–	–	–	(152,379)	–	(152,379)
Depreciation and amortisation	(286,732)	(72,006)	(6,662)	(12,022)	(5,506)	(5,045)	–	–	(387,973)
Additions to non-current assets*	269,973	161,201	23,373	14,206	13,643	749	–	–	483,145

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

excluding interest income from a joint venture

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

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

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

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

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

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

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

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

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017	1,183,842	54,932	2,757,163	1,180,568	51,603	5,228,108
Exchange differences	2,434	550	1,659	863	64	5,570
Additions	36	4,610	197,758	241,501	586	444,491
Disposals	–	–	(273,239)	(43,740)	(3,162)	(320,141)
Transferred from investment properties (Note 7)	16,293	–	–	–	–	16,293
At 31 December 2017	1,202,605	60,092	2,683,341	1,379,192	49,091	5,374,321
At 1 January 2018	1,202,605	60,092	2,683,341	1,379,192	49,091	5,374,321
Exchange differences	(901)	(443)	(1,097)	(464)	(16)	(2,921)
Additions	–	5,596	119,281	218,503	2,635	346,015
Disposals	(22,928)	(1,582)	(118,063)	(30,163)	(1,938)	(174,674)
At 31 December 2018	**1,178,776**	**63,663**	**2,683,462**	**1,567,068**	**49,772**	**5,542,741**
Accumulated depreciation and impairment						
At 1 January 2017	604,509	44,916	2,068,054	677,116	36,206	3,430,801
Exchange differences	593	493	1,516	724	64	3,390
Charge for the year	42,776	5,752	198,418	125,597	6,425	378,968
Written back on disposals	–	–	(270,620)	(42,830)	(3,162)	(316,612)
Transferred from investment properties (Note 7)	3,239	–	–	–	–	3,239
At 31 December 2017	651,117	51,161	1,997,368	760,607	39,533	3,499,786
At 1 January 2018	651,117	51,161	1,997,368	760,607	39,533	3,499,786
Exchange differences	(264)	(425)	(1,082)	(323)	(15)	(2,109)
Charge for the year (Note 24)	42,782	7,750	172,354	177,534	5,066	405,486
Written back on disposals	(22,927)	(650)	(116,878)	(29,099)	(1,938)	(171,492)
At 31 December 2018	**670,708**	**57,836**	**2,051,762**	**908,719**	**42,646**	**3,731,671**
Net book value						
At 31 December 2018	**508,068**	**5,827**	**631,700**	**658,349**	**7,126**	**1,811,070**
At 31 December 2017	551,488	8,931	685,973	618,585	9,558	1,874,535

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

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

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

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

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2017	124,077
Additions	187
Transferred to property, plant and equipment (Note 6)	(16,293)
Transferred to non-current asset held for sale (Note 31)	(70,089)
Exchange differences	3,333
At 31 December 2017	41,215
At 1 January 2018	41,215
Exchange differences	(1,248)
At 31 December 2018	**39,967**
Accumulated depreciation	
At 1 January 2017	23,105
Charge for the year	850
Transferred to property, plant and equipment (Note 6)	(3,239)
Transferred to non-current asset held for sale (Note 31)	(11,373)
Exchange differences	766
At 31 December 2017	10,109
At 1 January 2018	10,109
Charge for the year (Note 24)	846
Exchange differences	(355)
At 31 December 2018	**10,600**
Net book value	
At 31 December 2018	**29,367**
At 31 December 2017	31,106
Fair values (note)	
At 31 December 2018	**52,556**
At 31 December 2017	54,321

Note:

The Group's investment properties were valued at 31 December 2018 and 2017 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuations were determined using the direct comparison approach with reference to the comparable properties in close proximity and investment approach with reference to current market rental, where appropriate. The most significant inputs into these valuation approaches are unit price and unit rent per square foot or square metre. The current use of investment properties equates to the highest and best use. As at 31 December 2018 and 2017, the fair value measurement of the investment properties is included in level 3.

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

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

9 INTANGIBLE ASSETS

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

9 INTANGIBLE ASSETS (continued)

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

10 INTERESTS IN JOINT VENTURES

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

10 INTERESTS IN JOINT VENTURES (continued)

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

Notes:

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

(b) The Group has advanced in aggregate HK$10,024,000 (2017: HK$11,150,000) to上海翡翠珍宝文化传媒有限公司 ("上海翡翠珍宝") for daily operations and HK$19,731,000 (2017: HK$31,281,000) to Concept Legend Limited ("Concept Legend") for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment. Management considered that the Group's share of losses in excess of investment costs of HK$27,153,000 (2017: HK$28,568,000) against the loan and funds advanced to the joint ventures is adequate. The carrying value of interests in 上海翡翠珍宝 has been fully impaired as at 31 December 2018 and 2017.

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

10 INTERESTS IN JOINT VENTURES (continued)

Details of the joint ventures are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK$1 each	50%
#上海翡翠珍宝文化传媒有限公司	The People's Republic of China	Provision of advertising and management services	Registered capital of RMB10,000,000	50.1%
#Imagine Tiger Television, LLC	United States	Provision of finance for the development and production of television programmes	Class A units of US$33,333,333	§100%

\# Joint ventures held indirectly by the Company

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

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

There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

The joint ventures are strategic for the Group's investments in the Hong Kong movie market and the United States TV market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INTERESTS IN JOINT VENTURES (continued)

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

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

* excluding fund advanced, loan and interest receivable

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

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

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

The financial position and result of 上海翡翠珍宝 is not presented in 2018 and 2017 as this joint venture ceased business in 2016. The carrying value of interests in this joint venture has been fully impaired as at 31 December 2018 and 2017.

11 INTERESTS IN ASSOCIATES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTERESTS IN ASSOCIATES (continued)

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

Details of the material associate are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
#Shine Investment Limited	Cayman Islands	Investment holding	Voting Class A Shares of US$1 each	§15%
			Non-voting Class B Shares of US$1 each	§100%

\# an associate held directly by the Company

§ The Group holds 40% economic interest in Shine Investment Limited.

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

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

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

11 INTERESTS IN ASSOCIATES (continued)

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

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

Summarised consolidated statement of comprehensive income:

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

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

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

Details of material financial assets at fair value through other comprehensive income are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particular of issued shares held	Percentage of ownership interest
CMC Flagship Limited	Cayman Islands	Cayman Islands	Investment holding	Ordinary shares of US$1 each	10%
Fairchild Television Limited	Canada	Canada	Operation of specialty television channels	Ordinary shares of C$1 each	20%

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

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

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

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

Notes:

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

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

(b) SMI Fixed Coupon Bonds

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

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

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

Notes:

(c) CERC Bonds

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

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

15 STOCKS

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

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note:

At 31 December 2017, restricted cash mainly included cash set aside for the share buy-back offer, as detailed in the Company's announcement dated 24 January 2017. During the year, such amount was released from restricted cash after the Company's announcement dated 23 January 2018 on the decision not to proceed with the share buy-back offer.

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

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

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

18 SHARE CAPITAL

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

19 OTHER RESERVES

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Share-based payment reserve HK$'000	Financial assets at FVOCI reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2017	70,000	–	39,513	–	–	(106,460)	3,053
Transferred from retained earnings	–	–	64,498	–	–	–	64,498
Currency translation differences:							
– Group	–	–	–	–	–	74,622	74,622
– Joint ventures	–	–	–	–	–	(1,307)	(1,307)
Share of other comprehensive income of an associate	–	–	–	–	–	11,152	11,152
Change in ownership interests in subsidiaries without change of control (Note 38)	–	(3,741)	–	–	–	–	(3,741)
Balance at 31 December 2017	70,000	(3,741)	104,011	–	–	(21,993)	148,277
Balance at 1 January 2018	70,000	(3,741)	104,011	–	–	(21,993)	148,277
Transferred from retained earnings	–	–	8,182	–	–	–	8,182
Currency translation differences:							
– Group	–	–	–	–	–	(17,649)	(17,649)
– Joint ventures	–	–	–	–	–	848	848
Share of other comprehensive loss of an associate	–	–	–	–	–	(8,166)	(8,166)
Reclassification adjustments of exchange to profit or loss on liquidation of a subsidiary	–	–	–	–	–	(671)	(671)
Share-based payments	–	–	–	24,125	–	–	24,125
Change in ownership interests in subsidiaries without change of control (Note 38)	–	(16,958)	–	–	–	(5,086)	(22,044)
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(7,661)	–	(7,661)
Balance at 31 December 2018	**70,000**	**(20,699)**	**112,193**	**24,125**	**(7,661)**	**(52,717)**	**125,241**

19 OTHER RESERVES (continued)

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

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

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

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

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

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

20 TRADE AND OTHER PAYABLES AND ACCRUALS

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

Note:

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

(b) Transaction price allocated to the remaining performance obligations

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

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

20 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

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

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

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

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

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

21 BORROWINGS

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

At 31 December 2018, borrowings were repayable as follows:

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

Note:

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

22 DEFERRED INCOME TAX

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

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

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

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

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2018, the Group has unrecognised tax losses of HK$2,747,733,000 (2017: HK$2,657,781,000) to be carried forward against future taxable income. These tax losses will expire as follows:

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

22 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	161,015	243,414	404,429
Recognised in the income statement	10,064	(204,383)	(194,319)
Exchange differences	(91)	33	(58)
At 31 December 2017	170,988	39,064	210,052
Recognised in the income statement	835	2,368	3,203
Exchange differences	26	(53)	(27)
At 31 December 2018	**171,849**	**41,379**	**213,228**

Deferred income tax assets

	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	63,040	31,203	94,243
Recognised in the income statement	(777)	(14,881)	(15,658)
Exchange differences	6	701	707
At 31 December 2017	62,269	17,023	79,292
Recognised in the income statement	9,919	(1,277)	8,642
Exchange differences	(14)	(192)	(206)
At 31 December 2018	**72,174**	**15,554**	**87,728**

23 RETIREMENT BENEFIT OBLIGATIONS

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

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

24 (LOSS)/PROFIT BEFORE INCOME TAX

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

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

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

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

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

Notes:

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

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

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

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

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

25 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Save for contracts amongst group companies, no other significant transactions, arrangements and contracts to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

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

(b) Five highest paid individuals

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

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

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

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

26 EMPLOYEE BENEFIT EXPENSE (continued)

(c) Senior management's emoluments

Details of emoluments (excluding directors' fees, if any) paid to members of senior management fell within the following bands:

Emolument bands	*Number of individuals in each band	
	2018	2017
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1
HK$8,000,001 – HK$8,500,000	**1**	–
HK$9,500,001 – HK$10,000,000	**–**	1
HK$12,500,001 – HK$13,000,000	**1**	–
	5	5

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

27 EMPLOYEE SHARE-BASED PAYMENTS

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

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

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

27 EMPLOYEE SHARE-BASED PAYMENTS (continued)

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

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

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

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

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

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

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

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

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

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

27 EMPLOYEE SHARE-BASED PAYMENTS (continued)

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

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

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

(a) Fair value of share options granted

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

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

28 OTHER (LOSSES)/GAINS, NET

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

29 FINANCE COSTS

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

30 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

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

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

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

31 NON-CURRENT ASSET HELD FOR SALE

In 2017, the Group had an intention to sell certain investment properties located in Taiwan, as such, the carrying value of such properties amounting to HK$58,716,000 was reclassified as "Non-current asset held for sale". Part of these investment properties sold with a disposal gain of HK$18,483,000 was recognised in 2017. The remaining held for sale properties with carrying value of HK$42,555,000 as at 31 December 2017 have been disposed with a gain of HK$27,058,000 recognised during the year.

32 (LOSS)/EARNINGS PER SHARE

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

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

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

33 DIVIDENDS

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

At a meeting held on 20 March 2019, the Directors recommended a final dividend of HK$0.70 per ordinary share. The proposed dividends for 2018 are not reflected as dividend payables in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

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

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

(b) Net debt reconciliation

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

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

(b) Net debt reconciliation (continued)

	Cash and cash equivalents HK$'000	Liabilities from financing activities HK$'000	Total HK$'000
Net debt as at 1 January 2017	5,520,962	(3,842,493)	1,678,469
Cash flows	(4,849,226)	65,872	(4,783,354)
Foreign exchange adjustments	159,565	(30,798)	128,767
Other non-cash movements	–	(6,987)	(6,987)
Net debt as at 31 December 2017	831,301	(3,814,406)	(2,983,105)
Cash flows	366,275	805,823	1,172,098
Foreign exchange adjustments	(13,066)	(8,017)	(21,083)
Other non-cash movement	–	(323)	(323)
Net debt as at 31 December 2018	**1,184,510**	**(3,016,923)**	**(1,832,413)**

35 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

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

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

36 COMMITMENTS

(a) Capital commitments

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

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

36 COMMITMENTS (continued)

(b) Contractual programme rights and programme contents commitments

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

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

(c) Operating lease commitments as lessee

The amounts of future aggregate minimum lease payments under non-cancellable operating leases which fall due are as follows:

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

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under non-cancellable operating lease agreements.

The lease expenditure expensed in the consolidated income statement during the year is disclosed in Note 24.

36 COMMITMENTS (continued)

(d) Operating lease commitments as lessor

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

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

37 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

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

38 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

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

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

38 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES (continued)

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

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

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

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

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from Shaw Brothers Pictures International Limited ("Shaw Brothers Pictures International"), an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.

(ii) The fees were received from/(paid to) Tailor Made Production Limited, an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited which is an associate of the Group.

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

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

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

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

In 2017, a movie interest of HK$2,000,000 was transferred to Shaw Brothers Pictures International and another movie investment of HK$4,000,000 was acquired from Shaw Brothers Pictures International.

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

(b) Key management compensation

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

Note:

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

(d) Fund advanced/loan to joint ventures

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

40 COMPARATIVE FIGURES

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

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

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

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

Statement of financial position of the Company (continued)

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

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

Charles Chan Kwok Keung Director	**Mark Lee Po On** Director

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

Reserve movement of the Company

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

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Long Wisdom Limited	2	HK$2	100	100	Properties holding
Shaw Brothers Pictures Limited	20	HK$20	100	100	Production of motion pictures for theatrical release and distribution and artiste management
TVBI Company Limited	200,000	HK$2,000,000	100	100	Investment holding and programme licensing
TVB New Wings Limited	100	HK$100	100	100	Production of programmes and provision of marketing materials
Art Limited	10,000	HK$10,000	100	–	Film licensing and distribution

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in Hong Kong (continued)

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Big Big Channel Holdings Limited	Ordinary shares: 2	HK$2	100	–	Investment holding
	Non-voting preferred shares: 1,085,867,757	HK$1,085,867,757	100	–	
Big Big Channel Limited	2	HK$2	100	–	Big Big Channel business
MyTV Super Limited	2	HK$2	100	–	Hong Kong digital new media business
The Voice Entertainment Group Limited	1	HK$1	100	–	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	100	–	Publishing and licensing of musical works
TVB Anywhere Limited	10,000	HK$10,000	100	–	Provision of subscription television programmes in overseas markets
TVB Facilities Limited	10,000	HK$10,000	100	–	Provision of services for programme productions
TVB Publications Limited	20,000,000	HK$20,000,000	100	–	Magazine publications
TVB Publishing Holding Limited	90,000,000	HK$199,710,000 (note (c))	100	–	Investment holding
TVB Satellite Broadcasting Limited	2	HK$2	100	–	Provision of programming and channel services
TVB Anywhere SEA Limited (formerly known as TVB Satellite TV (HK) Limited)	2	HK$2	100	–	Provision of subscription television programmes in overseas markets

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB Finance Limited (note (b))	Cayman Island	1	HK$1	100	100	Corporate finance services
TVB Investment Limited	Bermuda	20,000	US$20,000	100	100	Investment holding
TVB Satellite TV Holdings Limited (note (b))	Bermuda	12,000	US$12,000	100	100	Investment holding
TVBO Production Limited	Bermuda	12,000	US$12,000	100	100	Owner of film rights and programme licensing
广东采星坊演艺咨询服务有限公司 (note (a))	The People's Republic of China	Not applicable	RMB10,000,000	100	100	Provision of consultancy, management and agency services to artistes
上海翡翠东方传播有限公司 (note (a))	The People's Republic of China	Not applicable	RMB200,000,000	70	70	Provision of agency services on advertisements, television programmes, film rights and management services
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
Big Big Channel Media Limited	Taiwan	10,000,000	NT$100,000,000	100	–	Investment holding and provision of subscription television programmes
Liann Yee Asset Co., Ltd.	Taiwan	3,000,000	NT$30,000,000	100	–	Property investment
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution
TVB Macau Company Limited	Macau	Not applicable	MOP25,000	100	–	Provision of services for programme productions

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories (continued)

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	70	–	Programme licensing
TVB Satellite Platform, Inc. (note (a))	USA	300,000	US$3,000,000	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	12,000	US$12,000	100	–	Provision of satellite and subscription television programmes
TVB (USA) Inc. (note (a))	USA	1,000	US$10,000	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom	1,000	GBP1,000	100	–	Programme licensing
TVBO Facilities Limited	Bermuda	12,000	US$12,000	100	–	Provision of services for programme productions
TVB (Singapore) Pte. Ltd.	Singapore	1	S$1	100	–	Provision of agency services for advertisements and consultancy services

Notes:

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

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

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

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

(c) 4,500,000 ordinary shares amounting to HK$38,700,000 remained unpaid as at 31 December 2018.

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

(e) All principal subsidiaries are limited liability companies.

Television Broadcasts Limited
電視廣播有限公司

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