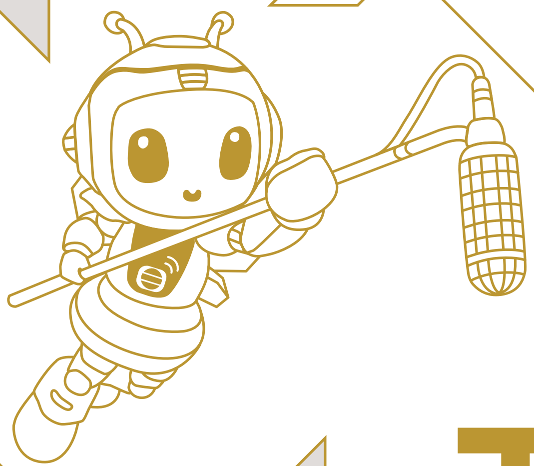
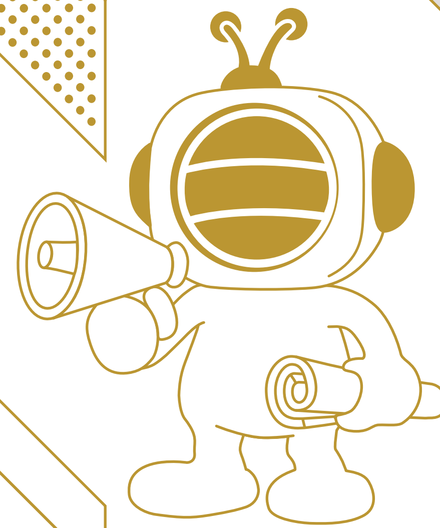


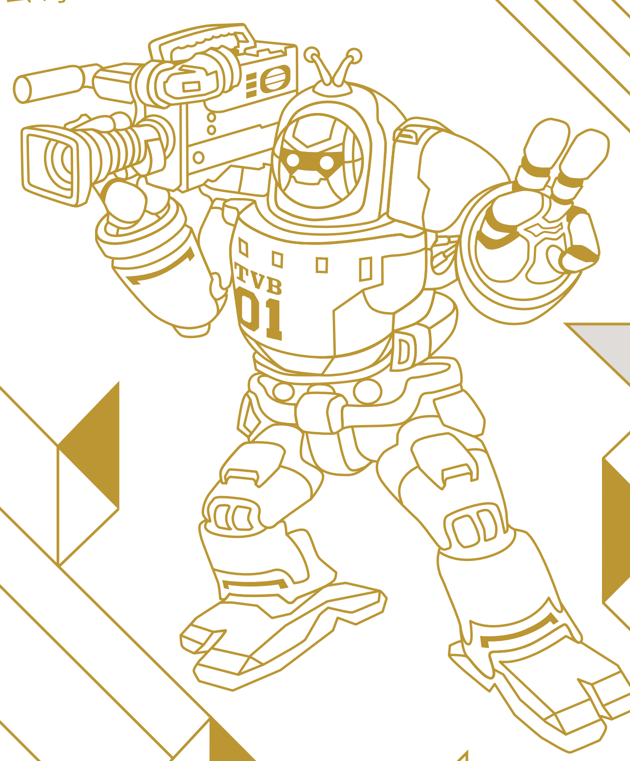


TVB 2017

ANNUAL REPORT

Television Broadcasts Limited
電視廣播有限公司

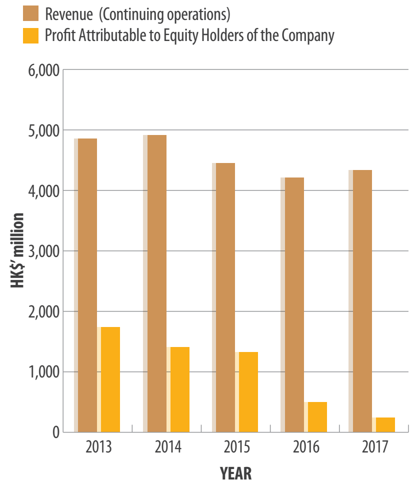
Stock Code : 00511



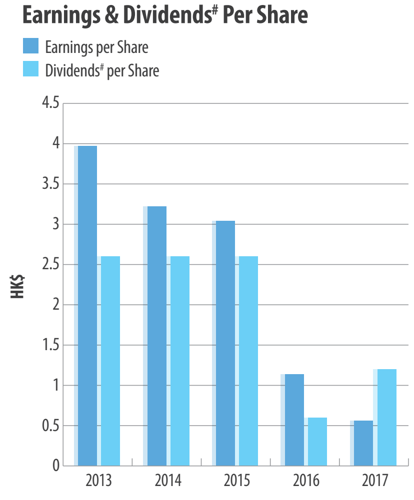
50
ANNIVERSARY
翡翠台
TVB
01
I Love big big channel
Take : 1
big big channel
Scan to discover
TVB 50th Anniversary Gala

FINANCIAL HIGHLIGHTS

Revenue and Profit Attributable to Equity Holders of the Company



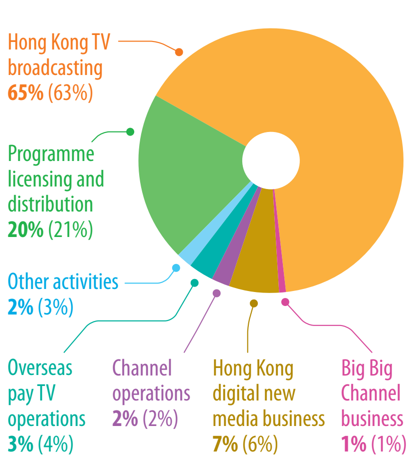
Earnings & Dividends# Per Share



excluding special dividend

2017 Revenue by Operating Segment

% relating to 2016 are shown in brackets



	2017	2016	Change
Performance			
Earnings per share	**HK$0.56**	HK$1.14	-51%
Dividends per share			
– 2017 first interim dividend	**HK$0.60**	–	
– 2017 second interim dividend/ 2016 interim dividend	**HK$0.30**	HK$0.60	
– 2017 final dividend	**HK$0.30**	–	
	HK$1.20	HK$0.60	
– 2017 special dividend	**HK$0.70**	–	
	HK$'mil	HK$'mil	
Revenue			
– Hong Kong TV broadcasting	**2,870**	2,707	6%
– Hong Kong digital new media business	**306**	230	33%
– Big Big Channel business	**69**	35	94%
– Programme licensing and distribution	**982**	1,019	-4%
– Overseas pay TV operations	**151**	169	-10%
– Channel operations	**85**	90	-6%
– Other activities	**93**	156	-40%
– Inter-segment elimination	**(220)**	(196)	12%
	4,336	4,210	3%
Segment profit/(loss)*			
– Hong Kong TV broadcasting	**165**	(71)	N/A
– Hong Kong digital new media business	**(85)**	(29)	190%
– Big Big Channel business	**(11)**	1	N/A
– Programme licensing and distribution	**493**	444	11%
– Overseas pay TV operations	**(53)**	(40)	32%
– Channel operations	**11**	2	383%
– Other activities	**33**	26	22%
– Corporate support#	**(152)**	(33)	364%
– Inter-segment elimination	**–**	1	-100%
	401	301	33%
Total expenses^Δ	**3,943**	3,888	1%
Profit attributable to equity holders	**244**	500	-51%
	31 December 2017 HK$'mil	31 December 2016 HK$'mil	
Total assets	**12,016**	12,357	-3%
Total liabilities	**4,859**	5,127	-5%
Total equity	**7,157**	7,230	-1%
Number of issued shares	**438,000,000**	438,000,000	–
Ratios			
Current ratio	**9.2**	10.1	
Gearing	**53.3%**	53.1%	

* excluding non-recurring items
# comprised mainly of interest costs of TVB Notes
Δ represented the total of cost of sales, selling, distribution and transmission costs and general and administrative expenses

CONTENTS

CORPORATE INFORMATION

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

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
Tseung Kwan O Industrial Estate
Kowloon, Hong Kong

AUDITOR
PricewaterhouseCoopers
22/F, Prince's Building
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
Credit Suisse AG Hong Kong Branch
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
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited

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

BNY Mellon Shareowner Services
P.O. Box 30170
College Station
TX 77842-3170
USA

INVESTOR RELATIONS

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

WEBSITE

www.corporate.tvb.com

CORPORATE CALENDAR

FOR TELEVISION BROADCASTS LIMITED SHAREHOLDERS

FIRST BOOK CLOSE PERIOD

2 May 2018 to 23 May 2018,
both days inclusive

ANNUAL GENERAL MEETING

23 May 2018

EX-DIVIDEND DATE OF 2017 FINAL DIVIDEND AND SPECIAL DIVIDEND

25 May 2018

SECOND BOOK CLOSE PERIOD

29 May 2018 to 31 May 2018,
both days inclusive

PAYMENT OF 2017 FINAL DIVIDEND AND SPECIAL DIVIDEND*

12 June 2018

* Subject to Shareholders' approval at 2018 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 2018

1st interest payment: 11 April 2018
2nd interest payment: 11 October 2018

MATURITY DATE

11 October 2021

TVB HISTORY AND KEY 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 metres

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

myTV

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 to take up 29.94% equity 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

50 ANNIVERSARY


50
ANNIVERSARY

COMMENDATIONS AND AWARDS 2017

2017 New York Festivals World's Best TV & Films

TVBuddy Meets Set Top Men

Gold World Medal in Production Design: Promotion/Open & IDs category

2017 New York Festivals World's Best TV & Films

TVBuddy Meets Set Top Men

Silver World Medal in Special Visual Effects: Promotion/Open & IDs category

2017 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

myTV SUPER All Star Summer

Bronze Award in Total Package Design: Print Only – Channel or Program category

2017 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

ROBOBUDDY – myTV Super TVC

Silver Award in Channel Image Promotion category

2017 PromaxBDA Asia Awards

2017 Mother's Day Image

Silver Award in Best Interstitial/ Sneak Peaks category

2017 RTDNA Edward R. Murrow Awards

Mong Kok Riot: Hong Kong's First Night in the Year of Monkey

Regional Award in Hard News category

■ **2017 New York Festivals World's Best TV & Films**

The Pearl Report: Banned & Banished
Silver World Medal in Best Investigative Report category

■ **2017 PromaxBDA Asia Awards**

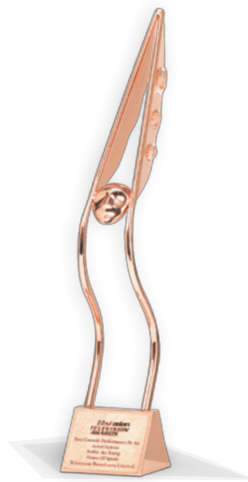
Bad Hotel Guest Viral Video
Silver Award in Best Promo Video on Social Media category

■ **2017 RTDNA Edward R. Murrow Awards**

News Magazine: The Great Flood: A Lake / Killer
Regional Award in News Documentary category

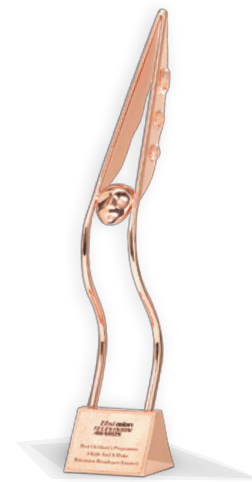
■ **2017 New York Festivals World's Best TV & Films**

Not Far But Away (Sr.2)
Bronze World Medal in Travel & Tourism category



■ **22nd Asian Television Awards 2017**

Bobby Au-Yeung in House Of Spirits
Winner in Best Comedy Performance by an Actor/Actress



■ **22nd Asian Television Awards 2017**

5 Kids And A Bloke
Winner in Best Children's Programme category

■ **2017 RTDNA Kaleidoscope Awards**

The Pearl Report: Transgender in HK
Winner in Large Market Television category

RATINGS HIGHLIGHTS

Jade Top 5 Dramas *Consolidated TV Ratings*

Scan to discover Top 3 Dramas

1 The Unholy Alliance 28.7 TVRs

2 My Unfair Lady 28.5 TVRs

3 A General, A Scholar and A Eunuch 28.0 TVRs

4 Tiger Mom Blues 27.4 TVRs

5 The Exorcist's Meter 26.2 TVRs

Top 5 Non-Dramas *Consolidated TV Ratings*

1 TVB 50th Anniversary Gala 29.3 TVRs

2 Miss Hong Kong Pageant 2017 24.7 TVRs

3 The Ahistoric Grandpa Cooking Show (II) 22.2 TVRs

4 Diva Liza 50-year Special 21.4 TVRs

5 Do Do Goes Shopping (II) 20.8 TVRs

Pearl Top 10 English Programmes *Consolidated TV Ratings*

1 Beauty and the Beast
© Disney Enterprises, Inc. All rights reserved
7.9 TVRs

2 Frozen
© 2013 Disney. All Rights Reserved
6.3 TVRs

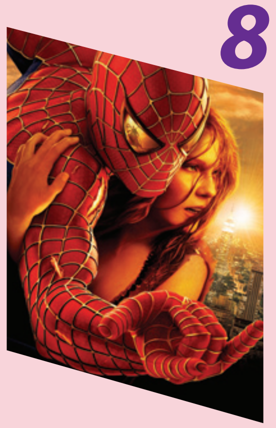
3 Transformers Age of Extinction
© 2018 Paramount Pictures. All Rights Reserved. TRANSFORMERS, its logo and all related characters are trademarks of Hasbro and are used with permission. © 2018 Hasbro. All Rights Reserved.
6.1 TVRs

4 Spider-Man 3
© 2007 Columbia Pictures Industries, Inc. All Rights Reserved.|MARVEL, and all Marvel characters including the Spider-Man, Sandman and Venom characters™ & © 2012 Marvel Characters, Inc. All Rights Reserved.
5.9 TVRs

5 Thor The Dark World
© 2013 Marvel
5.6 TVRs

6 Ant-Man
© 2015 Marvel
5.6 TVRs

7 Iron Man 3
© 2013 Marvel
5.4 TVRs



8 Spider-Man 2
© 2018 CPT Holdings, Inc. All Rights Reserved
5.2 TVRs

9 Avengers Age of Ultron
© 2018 Marvel
5.1 TVRs

10 WALL·E
© Disney/Pixar. All rights reserved
5.0 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 2017, the total TV population comprises 6,499,000 viewers, and therefore, 1 TVR represents 64,990 viewers (1% of the total TV population). Data source: Nielsen TAM and Nielsen SiteCensus.

CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to report on the Company's results and developments for the financial year ended 31 December 2017.

PERFORMANCE AND DIVIDENDS

The Group's revenue increased by 3% from HK$4,210 million to HK$4,336 million. Cost of sales rose by 1% from HK$2,299 million to HK$2,319 million, while total selling and general administrative expenses went up by 2% from HK$1,589 million to HK$1,624 million. Operating profit stabilised at HK$543 million (2016: HK$545 million).

The Group's finance costs increased from HK$34 million to HK$152 million as the full year interest cost of TVB Notes was taken up. In addition, the Group shared losses of HK$33 million from joint ventures and associates (2016: losses of HK$6 million). As a result, the profit attributable to equity holders for the year amounted to HK$244 million (2016: HK$500 million which included a non-recurring disposal gain of HK$280 million). Earnings per share was HK$0.56 (2016: HK$1.14).

The Board declared interim dividends of HK$0.60 and HK$0.30 per share on 24 May 2017 as first interim dividend, and on 23 August 2017 as second interim dividend respectively.

For the year, the Board has recommended a final dividend and a special dividend as follows:

	Note	**2017 HK$**	2016 HK$
First interim dividend paid	1	**0.60**	–
Second interim dividend paid		**0.30**	0.60
Final dividend recommended	2	**0.30**	–
Total dividends		**1.20**	0.60
Special dividend recommended	3	**0.70**	–
Total dividends including special dividend		**1.90**	0.60

Note 1: The first interim dividend of HK$0.60 per share was largely the result of the Board's resolution to defer any final dividend proposal for the 2016 annual results until outcome of the share buy-back offer was clarified.

Note 2: For the full year, the Board has recommended a final dividend of HK$0.30 per share, which would make a total dividend of HK$1.20 per share (2016: HK$0.60 per share).

Note 3: In recognising the Company's steady dividend policy during a period of lower profitability, the Board has in addition recommended a special dividend of HK$0.70 per share for the year. By doing so, the Board wishes to demonstrate its confidence in the Company's future.

CLEAR STRATEGIC DIRECTIONS

The Group operated against a disruptive market as a result of rapid advancements in technology. Drastic changes in lifestyle, work modalities and means of communication are taking place. Business operators need to react rapidly in order to survive and to reduce the risks of being displaced. For TVB, linear television technology had served us well in the past, but this is rapidly being disrupted by digital, namely the Internet. Proliferation of content on the Internet and popularity of the social media have made profound impacts on TV consumption behaviour as digital platforms can provide any content, anywhere, anytime and on any types of devices, which accord with lifestyle nowadays.

Against this background, the Board has adopted three important strategic directions:

- **Raising content standard** to drive our business;
- **Developing markets** by producing platform-exclusive content for online platform partners in Mainland China; and
- **Investing in digital** and launching new OTT and social media platforms.

Major progress has been made in transformation from a terrestrial TV-based broadcaster to a digital player with substantial online distribution networks in Hong Kong and overseas. The Group now possesses a complete spectrum of media platforms spanning terrestrial TV, myTV SUPER OTT services and Big Big Channel online social media and is well-positioned to capture digital opportunities.

INVESTMENTS IN MOVIES AND TV SLATE

Beyond television, we have also invested in movie production platforms and in a TV programme slate. Since 2015, we have invested in two major movie platforms, Flagship Entertainment Group and Hong Kong-listed Shaw Brothers Holdings. These platforms naturally extend our expertise in programme production into the international movie arena and help capture the growth of box office revenue globally. In 2017, we formed a joint venture with Imagine Entertainment, a leading Hollywood production company, to finance the production of a slate of TV drama serials for US and international markets. We are eagerly anticipating further business cooperation with our US partner.

50TH ANNIVERSARY

On 19 November 2017, TVB celebrated its 50th anniversary, a major milestone in the history of the Company. Founded in 1967, TVB has been providing Hong Kong audience with quality free TV entertainment, news and information. The Company has grown together with Hong Kong and has become part of its people's lives. Beyond Hong Kong, TVB is one of the most popular content providers to millions of Chinese abroad and has significantly contributed to the development of the Chinese entertainment industry. We are extremely thankful to the continued support received from our many stakeholders throughout these years.

RECOGNITION OF SIGNIFICANT CONTRIBUTIONS

Ms. Mona Fong, a non-executive Director of the Company, passed away on 22 November 2017. Ms. Fong, the wife of TVB's Chairman Emeritus the late Sir Run Run Shaw, was instrumental in leading the Company through some of the difficult periods in TVB's history. Ms. Fong will be fondly remembered for her dedication, diligence and vision.

I would also like to thank my fellow Directors for their wise counsel and guidance, and our business partners and staff members for their unwavering support.

OUTLOOK

2017 will be remembered as one of the toughest years in the last decade of the Company. We remain hopeful that the worst is now behind us as the advertising market continues its recovery and growth along with Hong Kong's overall economy. With our three media platforms firmly in place, TVB has successfully transformed into a major digital player.

Entering our 51st year, we set our sights for new developments and business opportunities. We will continue to build on our past in creating an even brighter future for our stakeholders.

Charles Chan Kwok Keung
Chairman

Hong Kong, 21 March 2018

GROUP CEO'S REPORT

MARK LEE PO ON

I am pleased to further report on the business progress made during the year ended 31 December 2017.

HONG KONG TV BROADCASTING

2017 was one of the toughest years in the last decade of the Company. Our businesses were challenged on many fronts, including a lackluster advertising market in Hong Kong and the global digital revolution that causes significant disruption to many conventional business models.

For long-term development of our business, the Board spearheaded a transformation process to evolve from a traditional terrestrial broadcaster to a media company which includes substantial digital distribution capabilities, offering any content on any devices, anytime and anywhere. With one of the largest programme archive for Chinese programming content, TVB is naturally blessed with a sizeable library of dramas, varieties, documentaries, as well as a deep news archive, as foundation for this digital business. Our strong production and artiste resources as well as promotion platforms are the key capabilities that enabled this fast and seamless digital transformation.

"Content is king" remains as one of the Company's core business strategies. We are producing at an annual rate around 23,700 hours of programmes for our five digital TV channels. Jade maintains leadership as the most popular channel in Hong Kong. This year, we repositioned two of our channels to address the needs of our audience. iNews was renamed to TVB News Channel with strengthened news reporting and documentaries. J5 was renamed TVB Finance & Information Channel which is dedicated to finance related and information programmes. Each of our channels now carries distinct characteristics targeting different audience demographics, whilst complementing each other as a whole.

Advertising revenue from Hong Kong terrestrial TV broadcasting is the largest revenue contributor of the Group. Since 2015, this segment has been disrupted by a sluggish advertising market as it began to consolidate after several years of rapid growth. Between 2014 and 2016, our advertising revenue reported an accumulated decline of over HK$700 million. However since beginning of 2017, we began to note a more sanguine economic situation as the retail sales index recorded a modest growth of 2.2%.

DIGITAL NEW MEDIA

myTV SUPER OTT service has been delivering promising growth in user numbers since launch in April 2016. This business has registered an initial success. To date, the service has accumulated over 5.8 million users in Hong Kong, comprising over 1.0 million users consuming content through set-top boxes ("STB"), approximately 4.1 million accounts operating via mobile apps, and over 0.7 million accounts through the portal. The increasing usage of this platform is boosting our overall TV ratings. With an all-day-all-time average TV rating of 1.68, I am pleased to report that myTV SUPER is now the second most watched TV platform in Hong Kong after Jade.

As consumption of content through myTV SUPER is changing the viewing pattern, we have started to review the dissemination of TV ratings to the market and are adopting a consistent basis of consolidating viewings of programmes across all platforms (terrestrial, OTT, Web and app) over a seven-day period after broadcast. We believe that this approach gives a fairer presentation. We further anticipate that the shift of consumption towards OTT will continue in the future.

Based on the current run rate, we are gathering momentum in digital advertising sales as consumption of content on myTV SUPER increases. We have achieved monthly break-even since December 2017, and anticipate that we shall be reporting positive segmental contributions from 2018.

Big Big Channel social media platform was launched in July 2017 and has registered users and followers in and outside Hong Kong totalling over 10.7 million and is growing rapidly. This represents a good head start.

In 2018, our efforts will focus on monetising myTV SUPER platform and strengthening its technical service capability. We will devote more resources in content offering of Big Big Channel and developments would include increasing content marketing, advertising and expansion into e-commerce business, particularly in collaboration with clients, and the launch of a new app Mai Dui Dui (埋堆堆) through our Mainland China associate. With increasing consumption of content on Big Big Channel, we are hoping to fully cover our costs in the near future.

PRODUCTION FOR MAINLAND CHINA

We have successfully completed and broadcast the first three of a series of co-production drama serials in Hong Kong and Mainland China, namely *Legal Mavericks*; *Line Walker: The Prelude*; and *Heart And Greed* during the year. These drama serials generated significant viewerships in both Hong Kong and Mainland China, and provided higher production budgets to the Company. We are excited with the results and feedbacks received on these productions as they clearly demonstrated our capability in producing sought after drama serials with a distinct Hong Kong characteristics targeting audience in Mainland China. For 2018, at least two new co-production drama serials will be rolled out.

OVERSEAS BUSINESSES

Our overseas businesses made steady progress against a huge and severe pirated content market. Both a business-to-business model and a business-to-consumer model suffer in this environment as consumers are opting for unlicensed content. We are responding quickly in the most forceful way to preserve our markets by working with enforcement agencies. During the year, we maintained close working relationships with our partners in Singapore and Malaysia on enforcement and business developments. With our two partners, we share the common belief that the way forward for distribution rests with digital. TVB Anywhere is becoming an important product for worldwide distribution of our content. In the coming months, we will be finalising various distribution agreements in Mainland China and Singapore. Beyond these traditional markets, our efforts are directed towards growing businesses in new markets, such as Vietnam and Thailand.

SHARE BUY-BACK

As announced on 24 January 2017 and revised on 13 February 2017, the Company put forward a proposal to buy back 120 million shares out of a total of 438 million shares (representing approximately 27.40%) at the offer price of HK$35.075 per share ("Offer"). The Offer was conditional upon, amongst others, a whitewash waiver being granted by the Securities and Futures Commission ("SFC"). As noted in the Company's interim report for 2017, the Offer was then pending upon the Company's application to the High Court for a judicial review on certain decisions ("Panel Rulings") of the Takeovers and Mergers Panel of the SFC ("Panel"). These matters were dealt with at a Court hearing on 26 and 27 September 2017. On 4 October 2017, the Court allowed the Company's application for judicial review and ordered that the Panel Rulings be quashed. The decision affirmed the Company's position to proceed with the Offer on terms as originally proposed by the Company.

The Offer was subject to a condition that no regulatory authority in Hong Kong having objected to the close of the Offer. Pursuant to a referral made by the Panel, the Communications Authority ("CA") informed the Company that it was examining issues relating to two previous applications for shareholding changes in 2015 and 2016 ("CA's Assessment"), and the timeline for concluding such an assessment was not certain. The Company informed Shareholders that it was cooperating with the CA on its assessment but in the event that the CA's Assessment was not satisfactorily concluded by 23 January 2018, being the first anniversary of the making of the Offer, it would apply to the SFC for its consent not to proceed with the Offer.

On 23 January 2018, the Company noted that the CA's Assessment was still ongoing and timeline for the conclusion of the CA's Assessment remained uncertain. Accordingly, the Company announced on 23 January 2018 that it had obtained the SFC's consent for the Company not to proceed with the Offer. In the meantime, the Company will continue to assist the CA in order to bring the CA's Assessment to a conclusion as soon as possible. The Board will continue to evaluate various options for the Company, and at the appropriate time will consider whether to revisit a share buy-back offer, or whether an alternative transaction to achieve the Company's commercial aims could be put to Shareholders.

As required by the SFC, cash totalling HK$4,209 million which was equivalent to the outlays for the Offer had to be locked up in a segregated bank account during the entire period from the first announcement of the Offer on 24 January 2017 to the Board announcement on 23 January 2018 on not proceeding with the Offer. This restricted the Company's ability in generating a return on funds beyond normal time deposit rates from commercial banks. As a result, for the entire period of the lock-up, the interest returns thereon were less than desirable.

OUTLOOK

For 2018, we look forward to more co-production opportunities in Mainland China and increasing contributions from our Hong Kong digital new media businesses.

Mark Lee Po On

Group Chief Executive Officer

Hong Kong, 21 March 2018

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 channels (Jade, J2, TVB News, Pearl, TVB Finance & Information)	Hong Kong and Mainland China	100%
Hong Kong Digital New Media	Operation of myTV SUPER Over-the-top (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, and music entertainment	Big Big Channel; and Voice Entertainment	Hong Kong	100%
Other Activities	Investment in complementary businesses	Magazine publication (TVB Weekly); movie investment (Shaw Brothers Holdings, Flagship Entertainment); US drama slate (Imagine Tiger Television)	Hong Kong and United States	• Publication: 100% • 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 or dubbed soundtracks)	Key markets • Malaysia • Singapore • Mainland China • Canada • Vietnam	• Licensing and distribution: 100% • Mainland China: 55%
Overseas Operations – OTT and Pay TV	Subscription pay TV service	• TVB channels bundled with DISH Network offerings in North America (USA) • OTT TV service "TVB Anywhere"	• North America • Australia • Europe • Rest of the world	100%
Channel Operations	Production and operation of two satellite TV channels	TVB8 and Xing He channels	• Mainland China • Malaysia • Singapore	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 83% 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 over 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 our core business, accounting for approximately 65% of the Group's revenue in 2017.

TV ADVERTISING

After a prolonged cyclical downturn, the Hong Kong economy experienced a mild recovery in 2017 as retail sales index which suffered from year-on-year declines in the last 24 months finally exhibited a 3.0% growth in March 2017. The retail sales index reported an overall growth of 2.2% in 2017.

The advertising market, however, has yet to recover, as total advertising spending in Hong Kong was estimated to have fallen by 4% year-on-year in 2017. Throughout the year, most of the advertisers were very cautious in spending the budgeted dollars, as the choice of media platforms has increased, and the airtime investments and returns need to be rightly justified. In order to drive advertising sales, TVB provided various incentives to customers in order to secure long-term business growth. Benefited from the marginally improved economic climate against an overall difficult retail sector, income from advertisers for the year ended 31 December 2017 under Hong Kong TV broadcasting levelled closely with last year at HK$2,459 million (2016: HK$2,458 million), representing a very marginal increase of 0.1%. However, this provides some comfort for signs of stabilisation, after a 13% year-on-year decline in segment revenue experienced in 2016 over 2015.

The milk powder category remained at the top position in the ad spend table, even though there was a 14% year-on-year drop on sales. This is a key advertising category as visiting Mainland China's tourists continue to spend on consumer products. The loan and mortgage category, largely due to more aggressive activities by finance companies, recorded strong growth of more than 30% and secured the second position. Other performing categories included banking and local properties, both of which reported encouraging increases of 36% and 64% respectively. Revenue from government/quasi government category recorded a more than 60% growth which was boosted by income related to events celebrating the 20th anniversary of the establishment of the Hong Kong SAR on 1 July 2017. However, revenue from skin care continued to drop in 2017 recording a fall of 9% year-on-year, and similarly, the spending from dental care dropped 35%, compared with last year.

Against these tough and difficult market conditions, the Company introduced multiple advertising packages to stimulate demands which generated positive responses. "Perfect Match Package" was launched, offering a complete solution for small and medium sized advertisers which were much neglected in the past. In addition, special tailor-made spot packages, "Good Choice Package" and "Better Choice Package", were introduced to further stimulate spending.

2018 remains a challenging year for all media operators due mainly to the ever-changing media landscape brought about by new entrants and global competition. TVB will endeavour to grow by targeting new advertisers and introducing innovative packages.

Internally, the first phase of the re-write of our market and advertising sales systems to better service our advertisers and agencies went live in January 2017. Following this, additional features were deployed incrementally and the systems became fully operational from May 2017. With the enhancements, we are in a better position to provide an efficient ad-sales service which is important for this market.

TV CHANNELS

TVB uses the spectrum to broadcast five terrestrial TV channels, each with clear demographic targets.

Jade (channel 81), TVB's flagship service and the most popular channel in Hong Kong in terms of average audience share, has strengthened its programming line up to cater to local tastes and preferences. J2 (channel 82), targeting the adolescent viewing population, offers trendy and innovative programmes. TVB News Channel (channel 83), with its round-the-clock local and international news service and documentaries, is the most watched news channel in Hong Kong. Pearl (channel 84), with its international and upmarket appeal, addresses the entertainment needs of the English speaking and affluent audience. Successfully rebranded from J5 last year, TVB Finance & Information Channel (channel 85) is the station's latest response offering up-to-the-minute stories and expert analyses on capital markets, property investments, technology innovation, medical development and education related subjects.

TVB continues to invest in high quality self-produced and acquired programmes. Around 23,700 hours of programmes (including drama, non-drama programmes, and news and documentaries) were produced alone in 2017. This total has been increasing over the years to meet the growing demand of the newer channels such as J2 and TVB Finance & Information Channel.

On average, our five terrestrial TV channels engage with 5.4 million viewers every week. During the year, the average audience share[1] of TVB's terrestrial channels against all of the free and the pay TV channels in Hong Kong during weekday prime time was 83% (2016: 84%). In addition, TVB programmes also attract substantial viewerships from neighbouring markets, such as Macau and the Guangdong province.

The average prime time TV ratings of the five TVB terrestrial TV channels (which contained viewing via spectrum, live, as-live viewing and same day catch-up through myTV SUPER OTT Box) and the average percentage audience share against total TV channels in Hong Kong during prime time are as follows:

	2017	
	TVR	**% of Total TV**
Jade	**20.0**	**67**
J2	**1.9**	**7**
TVB News	**1.7**	**6**
Pearl	**1.2**	**5**
TVB Finance & Information	**0.7**	**3**

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

20 TVRs
Jade prime time
(67% of Total TV)

My Unfair Lady

The Unholy Alliance

My Ages Apart

REVIEW OF OPERATIONS

Drama

Self-produced drama serials have consistently secured the position of the flagship channel's prime time blockbuster. To mark the special occasion of TVB's 50th anniversary on 19 November 2017, a stronger than ever selection of drama titles were aired to build viewership during the run-up to the celebrations around November.

The top-rated title of 2017 was *The Unholy Alliance*, which attained an average TV rating[2] of 28.7 TVRs (of which 4.6 TVRs were delivered via myTV SUPER). This action crime-thriller series featured modern martial arts and shooting scenes was supervised by executive producer Jazz Boon Wai Hung and acclaimed Hollywood fight choreographer Philip Kwok Chui. Movie awardee veteran actress Nina Paw Hee Chin, who was filming for TVB for the first time, played the role of a godmother protecting her syndicates from enemies' revenge plans. She was joined by other protagonists, Ruco Chan Chin Pang, Nancy Wu Ting Yan, Joel Chan Shan Chung and Elaine Yiu Tse Ling. These distinctive characters and the action scenes gained wide applauses, which helped Joel Chan and Elaine Yiu win the best supporting role awards at the 2017 TVB Star Awards Malaysia. Joel's supporting role was also recognised at the *TV Awards Presentation 2017*.

Jade strives to offer greater and an even-better enjoyment to audience by making persistent efforts to enhance drama quality. *My Unfair Lady* was TVB's first 4K resolution drama series, and was primarily filmed on locations. This modern romance story attracted the second highest viewership for drama serials in 2017, scoring an average TV rating of 28.5 TVRs (of which 4.7 TVRs from myTV SUPER). The story revolves around two career-minded cousins, played by Jessica Hester Hsuan and Natalie Tong Sze Wing, winning the hearts of their Mr. Right. With much audience resonance and acclaims, Jessica and Natalie won major acting awards in the 2017 Starhubs TVB Awards in Singapore and TVB Star Awards Malaysia. Natalie was also awarded the Best Actress in a Leading Role at the *TV Awards Presentation 2017*.

This year, innovative storyline successfully aroused the audience interest with a time-travel comedy-fiction *A General, A Scholar and A Eunuch* which reported an average rating of 28.0 TVRs (of which 3.8 TVRs from myTV SUPER), and was ranked the third highest viewership for drama serials in 2017. This comedy preluded with three courtiers accidentally travelled from the late Ming dynasty to modern day in China for a royal mission but ended up helping troubled

2 An average TV rating is calculated based on a consolidated TV rating of a programme summing spectrum rating, live and as-live viewing on myTV SUPER, as well as VOD consumption of that programme within a seven-day period after being aired on terrestrial TV. It represents the size of the audience expressed as a percentage of the total TV population. For 2017, the total TV population comprises 6,499,000 viewers, and therefore, 1 TVR represents 64,990 viewers (1% of the total TV population).

The Exorcist's Meter

A General, A Scholar and A Eunuch

restaurant owner with their extraordinary culinary skills. This unusual story line and the tacit performance of the courtiers (played by Raymond Cho Wing Lim, Edwin Siu Ching Nam and Matthew Ho Kwong Pui) brought them the prize of Most Popular On-Screen Partners at the *TV Awards Presentation 2017*. Rebecca Zhu Chenli also received her first ever TVB award for supporting actress for her role in this drama, paving her way for more acting roles in future.

A new series of weekend only prime time drama kicked off in June 2017 with *Legal Mavericks*, our first co-produced title with iQiyi from Mainland China. This drama curated an unusual storyboard depicting encounters of a blind barrister and his team members, and was assisted by a fresh approach to on-location shootings. This drama had accumulated a total stream view of over 500 million in Mainland China. This title was awarded my favourite TVB drama at the 2017 TVB Star Awards Malaysia. The stupendous performance by a number of main casts, such as Vincent Wong Ho Shun, Sisley Choi Sea Pui, Ali Lee Kai Sum, Owen Cheung Chun Long were praised at various awards presentations in 2017.

Another co-production drama, *Line Walker: The Prelude*, a crime-thriller drama serials recorded a total stream view of over 2 billion on Tencent's platform in Mainland China. This TVB series was a prequel to the successful 2014's *Line Walker*, which saw the return of Michael Miu Kiu Wai as CIB Senior Inspector who attempted to tie up loose ends after a failed secret mission in Thailand. In the meantime, former undercover agent portrayed by Benz Hui Shiu Hung avenged for the death of his wife and became the underworld figure head's biggest rival. This drama staged a densely layered, constantly-looping pattern of trust and betrayal.

Heart And Greed serial is another iconic story developed by TVB. This highly-anticipated third sequel marked the return of veteran artistes like Louise Lee Si Kei, Ha Yu, Michelle Yim and Susanna Kwan Kuk Ying, who are well-known as the *Heart And Greed* icons. This time, Ha Yu, played a successful entrepreneur running a Hong Kong tea restaurant chain, led his family to offer financial assistance to his former benefactor. However, the social inequality between the two families and the romance between their second generations turned the situation problematic. The happy finale attracted an average rating of 30.8 TVRs. Overall, this co-production drama captured a total of 1.5 billion stream views on Tencent's platform.

Anniversary drama, *My Ages Apart* had a star-studded cast and ran for a total of 50 episodes. Starring Bobby Au Yeung Chun Wah, Moses Chan Ho, Maggie Shiu Mei Kei, Kristal Tin Yui Lee and Ali Lee Kai Sum, the drama brought audiences on a roller-coaster ride with its varying themes of time-travel, fantasy and comedy. This creative drama was named the Best Drama in the *TV Awards Presentation 2017*.

Developed from a winning storyline written by a TVB's staff through an internal competition, *The Exorcist's Meter*, centered on a story of a nightshift taxi driver played by Kenneth Ma Kwok Ming who had the ability to see supernatural beings. His extraordinary journey to conquer demons alongside the hundred-year old spirit, played by Hubert Wu Hung Kwan attracted widespread discussion from social media, making this serial the netizen's favourite TVB Drama in the *TV Awards*


Heart And Greed

Presentation 2017. To further arouse audience interest, an anecdotal biography *The Taxorcist Sidequel – Chapter 1* was created and released on Big Big Channel with even more sci-fi supernatural elements. This first attempt of complementing the drama with a spin-off web series was well-received by audience.

Legal Mavericks

Line Walker: The Prelude

Non-drama

2017 was a memorable year for the non-drama production team and for our audience.

TVB produced an extravagant star-studded gala show the *Grand Variety Show In Celebration Of The 20th Anniversary Of Hong Kong's Return To The Motherland* with songs, dances and acrobatic performances on 30 June 2017. Chinese President Xi Jinping and HKSAR's principal government officials attended the event at the Hong Kong Convention and Exhibition Center. This spectacular live show was also aired on CCTV's channels.

To mark the broadcaster's Golden Jubilee, *TVB 50th Anniversary Gala* was aired live on 19 November 2017. It was a night of glitz and glamour, presenting the most impressive array of acting talents with display of splendour and magnificent performances of more than 240 artistes. The appearance of many classic TVB drama theme songs and iconic characters touched the heart of audience making the gala the top-rated variety programme in 2017 with an average rating of 29.3 TVRs (of which 3.5 TVRs from myTV SUPER).

The launch of a new social media platform Big Big Channel on 23 July 2017 was another important key milestone. A prologue programme, *Big Big Kids Awards 2017* showcased talent contest of kids from all ages. A gala celebrating the official launch of this new platform *The big big channel Nite* previewed upcoming content of TVB artistes and KOLs. These galas successfully aroused the audience's interest and boosted sign-up rates for the new platform.

Leveraging the popularity of TVB drama characters, a number of spin-off programmes were created in variety format. An innovative game show, *Line Walker: The Hunting Game* was produced. This time, Michael Miu Kiu Wai from *Line Walker: The Prelude* became the programme host, while the other key protagonists from the drama joined him in an investigation mode.

Furthermore, certain popular drama partners were brought back in the form of food and travelogue programmes, such as the lovable Ma family from the long-running sitcom, *Come Home Love* to reunion at travelogues like *Dinner Ma's* and *X'mas With The Mas*. On the other hand, leading actors of a popular comedy, *Short End Of The Stick* filmed a new travelogue *Dickies On Tour* in Phuket.

Self-produced cooking programmes and travelogues featuring veteran hosts continued to attract high viewership on terrestrial channels. Hosts Maria Cordero and Steve Lee Ka Ding dazzled the audience with their superb culinary skills in their respective programmes, *Good Cheap Eats (Sr.6) and The Ahistoric Grandpa Cooking Show (Sr.2)*. The recent hottest travel partners, Do Do Cheng Yue Ling and FAMA brought audience light-hearted jokes in their travelogue, *DoDo Goes Shopping (Sr.2)*. *Faraway Brides*, a reality show which unveiled the stories of Hong Kong brides with cross-cultural marriages in pursuit of happiness won high applauses. Music programme *50 Golden Classics*, bringing together top-notch composer Michael Lai Siu Tin and his handpicked classic songs performed by veteran singers delighted the audience at its weekly Sunday night prime time slots.

TV Awards Presentation 2017

Miss Hong Kong Pageant 2017

TVB 50th Anniversary Gala

50 Golden Classics

DoDo Goes Shopping (II)

REVIEW OF OPERATIONS

J2

1.9 TVRs
J2
prime time
(7% of Total TV)

J2 has strengthened its image as a trendy and innovative channel, with self-produced programmes targeting the young audience.

Following the launch of Big Big Channel, J2 has rolled out a new series of self-produced talk show *Young And Restless*, which aimed to deploy J2's featured host and Big Big Channel's KOLs to cultivate a young community. J2 aired the *Big Big Channel Concert in Taiwan* to mark the expansion of TVB's digital media service into Taiwan. Popular in-house produced travel programmes like *Fun Abroad, Thai Rogered* and *Helen TO-KYO* continued to engage well with young audience.

Acquired programmes play an important role to maintain J2's young appeal. In 2017, popular Asian dramas like *Doctor-X (IV and V), Chef ~ Three Star School Lunch ~, Legend Of The Blue Sea, Saimdang, Memoir Of Colors, Wu Xin The Monster Killer (II)* and variety shows like *The Law of the Jungle* and *Running Man* drew good viewership. J2 also brought *The 11th Asian Film Awards* the world's most influential regional award to audience.

Buskkkkk Music


Organised Dining


Young And Restless

REVIEW OF OPERATIONS

TVB News Channel

Scan to discover TVB News Channel

1.7 TVRs

TVB News prime time

(6% of Total TV)

TVB News remains Hong Kong's most watched 24-hour news channel. This service is also the audience's "go-to" place for breaking news and major events. On the day when signal no.10 was hoisted for Typhoon Hato, the channel recorded its highest daily reach of over 3 million viewers. Live telecast of the 2017 Chief Executive Election was another record event with ratings averaged at 5.0 TVRs. In addition to in-home viewership, TVB News also engages with more than 1.5 million audience-times daily through out-of-home screens and TV sets in Hong Kong.

The channel endeavours to deliver the most up-to-date, accurate and comprehensive information local and international news. In addition to having our reporters based in Beijing, Guangzhou, and Taipei, a new bureau was set up in Macau.

In March 2017, TVB News offered in-depth live reports on the 2017 Chief Executive Election across terrestrial channels and online platforms, keeping viewers abreast with developments. During the three-day official visit of President Xi Jinping to Hong Kong for the 20th anniversary of Hong Kong's return to Mainland China, Jade and TVB News captured closely the public engagements of President Xi.

To celebrate the station's 50th anniversary, TVB News presented a special documentary *Hong Kong 50 Years* to portray stories of Hong Kong over the past half-century by narrating significant old days and lifestyles, interviewing eminent individuals from many sectors, and reiterating precious content from the archive.

Weather Report


Coverage of earthquake in Hualien

TVB News Studio

1.2 TVRs

Pearl
prime time
(5% of Total TV)

The Oscars®
Oscar Statuette:
©A.M.P.A.S.®

Planet Earth II
Copyright BBC Worldwide 2016

Hong Kong Masters 2017

REVIEW OF OPERATIONS

First-rated documentaries, movies, drama, lifestyle programmes, and global events helped solidify Pearl's status as an up-market, stylish and international channel.

To celebrate the station's 50th anniversary, Pearl presented the BBC's landmark natural history documentary *Planet Earth II*. In a total of seven episodes, the series brought audience to experience new filming technology and a better understanding of the natural world through amazing stories from islands, mountains, jungles, deserts, grasslands, and cities.

Prison Break

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Pearl has been carrying the world's most glamorous Hollywood event, *The Oscars®* since the launch of the channel and the 89th edition was broadcast live in February 2017. Pearl proudly became the official broadcast partner of The Masters of Hong Kong 2017 which is now an established prestigious event in the equestrian field.

Weekend blockbuster movies have remained the most appealing category on Pearl. Fairy tale-themed movies are always welcomed by Pearl audience, *Beauty and the Beast* and *Frozen* secured the first and second places respectively in the ratings chart. Pearl also excited audience with the TV premiere of *Prison Break*.

Other iconic genres of Pearl were the signature documentary timeslots – *Pearl Spectacular* showcasing the natural wonders, and *Well Being* provided latest health information.

Dolce Vita

REVIEW OF OPERATIONS

TVB Finance & Information Channel

TVB Finance & Information Channel is the only free 24-hour finance related free TV channel in Hong Kong. In less than a year since its rebranding, TVB Finance & Information has successfully built its image of a high quality wealth and knowledge channel and accumulated an audience pool of investment savvy fans.

Apart from latest coverage and expert analyses on the stock market during trading hours, TVB Finance & Information offers a series of self-produced financial and investment programmes during prime time, such as *Finance at 10, A Property A Day* and *Closer Look At Property*. Other knowledge-based programmes such as *Academia Without Borders*, *Vital Lifeline*, *A Dream Home Planning* and *Innovation GPS* offer audience with multiple choices.

A Dream Home Planning


Biz Triz


A Property A Day


The Launch of TVB Finance Channel

0.7 TVRs

TVB Finance & Information prime time (3% of Total TV)

Innovation GPS

Hong Kong 50 Years

Closer Look at Property


TVB Finance & Information Channel Studio

Scan to discover myTV SUPER

The Return of Superman
© KBS

Battle Trip
© KBS

A Bite of Shunde

Saimdang, Memoir of Colors
© Emperor Entertainment Group & Emperor Entertainment Korea / Group 8

Purple Hairpin

Keep Running

OTHER TVB-PRODUCED CHANNELS

TVB produced an array of 15 thematic channels for myTV SUPER. The channels include Japanese Drama, Korean Drama, Chinese Drama, Asian Select, TVB Classic, Classic Movies, Asian Variety, Food, Travel, Sports, Jade Catch Up, Entertainment News, TVBN2, TVB Radio and the newly introduced Chinese Opera Channel.

To promote the legacy of traditional Chinese theatre, Chinese Opera Channel was launched in June 2017. This channel engages avid fans of this unique art form by assembling renowned excerpt performances and stage plays performed by Chinese opera virtuosi, prominent artistes and rising stars of the field. Huge efforts were made to uncover and compile more than 250 excerpt performances from the archive. These invaluable performances extracted from charity shows and EYT include *Love in the Red Chamber, Lust is the Worst Vice, Romance of the Phoenix Chamber, Emperor Kwong Sui's Nocturnal Sacrifice to Concubine Zhen*, and *Reunion of Sword and Hairpin*. Also, distinguished stage plays were featured as weekend highlights like *The Purple Hairpin, Princess Chang Ping* and *Lam Kar Sing Series*.

Entertainment News allocated much resources to deliver real-time coverage of both local and global entertainment events including *The 36th Hong Kong Film Awards Special, The Oscars® Red Carpet Live* and *53rd PaekSang Arts Awards*. Various break-in news were arranged to cover first-hand local showbiz buzz such as the red carpet of *TVB 50th Anniversary Gala* and the *TV Awards Presentation 2017* nominations announcement.

TVB Classic lined up trademark gag shows that were ground-breaking and hugely popular in the 1990's such as *The Funny Half Show, Peculiar DJs Peculiar Show* and *Singing with Fun*. Moreover, *Stardust Memories… Liza Wang* series was assembled to celebrate a TVB long-standing icon, Liza Wang Ming Chuen's accomplishments over a span of 50 years.

TVB's drama channels, Japanese Drama, Korean Drama and Chinese Drama, strived to air Cantonese-dubbed versions of premium titles from Japan, Korea, Taiwan and Mainland China shortly after their local telecast.

Asian Variety, Food and Travel channels were showing an uptrend in viewership performance in 2017. The channels served as an excellent leisure and entertainment platform by providing signature variety shows, acclaimed food documentaries and global travelogues such as *The Return of Superman, Keep Running, A Bite of Shunde* and *Battle Trip*.

PROGRAMME PRODUCTION

"Content is king". TVB is committed to producing an immense selection of high quality original content for audiences. The total local production hours in 2017 was nearly 23,700 hours, of which 4,320 hours were attributed to Jade. Of these, approximately 700 hours of dramas were produced to meet the demand of Jade during prime time. Since 2016, we have been building an additional production pipeline to meet the demand of a new series of drama serials for our Chinese partners for their online platforms. During 2017, three drama serials under this arrangement were broadcast concurrently in Hong Kong and on the Chinese online platforms. For 2018, more new titles will be ready for delivery.

At the end of December 2017, TVB had contracted with over 700 artistes. These pools of artistes provide the Company with a stable and large pool of talents for production of programmes, covering drama serials and non-drama programmes. From time to time, the Company seeks to expand this pool by contracting with young talents through our own beauty pageants and talent contests as well as hiring from performing art schools.

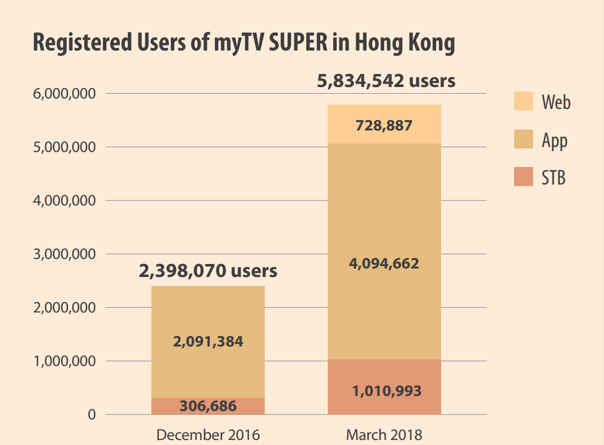
In Hong Kong, TVB is also supported by a series of 23 production studios and the strongest television production team in Hong Kong, including experienced production team in shooting, make-up, costume design, creative teams which comprise of executive producers, directors, script writers. In addition, the hardware supporting the production comprises two outdoor shooting sites located within the compound of TVB City and outdoor shooting vehicles. These facilities are regularly subject to upgrades and improvements in order to meet the demand of today's production needs.

HONG KONG DIGITAL NEW MEDIA BUSINESS

myTV SUPER OTT service has become our key digital new media asset. During the year, segment revenue increased 33% from HK$230 million to HK$306 million. Investment in capital and operating expenditure for this OTT platform had resulted in a net segment loss of HK$85 million (2016: loss of HK$29 million). However with promising growth in both subscription and advertising income, myTV SUPER had reached breakeven in the month of December 2017. We expect this business to further yield positive contribution in 2018.

myTV SUPER continues to track a rapid uptake on subscribers. Up to 18 March 2018, this OTT service has accumulated 5,834,542 registered users in Hong Kong, with 1,010,993 users consuming contents through STB, 4,094,662 accounts operating via mobile apps, and 728,887 accounts through the portal. The hard-bundled packages offered by our ISP and telco partners, Hong Kong Broadband Network, HGC Broadband and 3HK, provide strong momentum to further broaden subscriber base.

As TV consumption shifts towards OTT, the consumption hours of myTV SUPER is growing healthily in tandem with its subscriber number. The weekly unique stream viewers for the last week of December 2017 was 1,190,722 (2016: 793,043), an increase of 50%.



The weekly time spent per unique stream viewer in the last week of December 2017 reported a total of 18,443,140 hours (2016: 9,115,345 hours), an increase of 102%. On a per viewer basis, the weekly time spent was 15.5 hours (2016: 11.5 hours), an increase of 35%.

With an all-day-all-time average TV ratings of 1.68 TVRs[5] (2016: 0.84), myTV SUPER is now the second most-watched TV platform after flagship Jade[6]. In addition, programmes broadcast during prime time on myTV SUPER generated an average TV rating of 2.91 (2016: 1.27), further contributing to the viewership of terrestrial channels.

	Last week of 2017	Last week of 2016
Active user		
Weekly Unique Viewers[3]	**1,484,423**	1,047,015
Weekly Unique Stream Viewers[4] (USV)	**1,190,722**	793,043
Consumption (Hours)		
Weekly Time Spent	**18,443,140**	9,115,345
Weekly Time Spent per USV	**15.5**	11.5
Rating performance of myTV SUPER (TVRs[5])		
All-day-all-time ratings	**1.68**	0.84
Prime time ratings	**2.91**	1.27

myTV SUPER has further enriched its offerings by adding content such as Supreme Pack, Chinese Opera Channel, myTV SUPER Movie Pack, Mezzo Live HD, as well as BBC Entertainment and Information Pack. myTV SUPER service now carries more than 53 live channels (including 21 TVB-branded channels) and over 48,000 hours of video-on-demand (VOD) which comprise mainly of TVB archival content.

Enhancement of users' experience is a key business priority and an important service differentiator. We have introduced two user-friendly features to myTV SUPER, namely "myTV SUPER Remote App" which facilitates remote control of in-home STB functions using personal mobile phones, and "Smart Download" which enables programme download via myTV SUPER app onto mobile phones for viewing over a seven day window. We are noting an increase in usage as a result.

3 Weekly Unique Viewers refer to the total number of unique viewers visiting myTV SUPER during a week.

4 Weekly Unique Stream Viewers refer to the total number of unique viewers visiting myTV SUPER and watched at least one video during a week.

5 Data of myTV SUPER is sourced from Nielsen SiteCensus. The conversion of myTV SUPER online data to individual rating is supported by a certified document and endorsed by Nielsen.

6 Jade commanded an all-day-all-time average TV ratings of 4.8 TVRs during the week 25-31 December 2017.

The increasing eyeballs on myTV SUPER are helping our advertising sales growth and negotiations with advertisers who are looking for an effective solution. To improve monetisation, we have introduced pop-up banner ads and U-shaped display ads, both new formats on myTV SUPER channels, for advertisers. In addition, new slots for advertisement during commercial breaks have been created for additional revenue.

In order to offer users with seamless viewing experience for current events of their interest, myTV SUPER rolled out dedicated programme pages – "DFB-German Cup Event zone", "FINA Zone", "Liza Wang Special Zone", "TVB 50th Anniversary Special Zone", "Christmas and New Year Greetings Zone", to attract viewership.

In view of global trend on programmatic advertising, myTV SUPER launched Hong Kong's first programmatic TV advertising, which encompasses target segments across demographics such as age, gender, geographical locations. This enables advertisers to deliver their messages effectively to the right consumer group on a timely basis. In 2018, myTV SUPER will be engaging with Nielsen to deploy data management platform (DMP), a technology tool for digital precision advertising targeting. This tool helps identify the right targets in a more efficient and effective way across myriad consumer traits like purchase consideration and shopping behaviour, making the reach to these targeted audiences feasible at scale, and adding values to advertisers' investments.

Registered myTV SUPER users	5.8 Millions (March 2018)	2.4 Millions (December 2016)
Weekly Total Time Spent	18.4 Million Hours (Last week of 2017)	9.1 Million Hours (Last week of 2016)
Weekly Time Spent/Viewer	15.5 Hours (Last week of 2017)	11.5 Hours (Last week of 2016)
Contributions to TV ratings (Prime Time)	2.91 TVRs (Last week of 2017)	1.27 TVRs (Last week of 2016)
Contributions to TV ratings (All-Day-All-Time)	1.68 TVRs (Last week of 2017)	0.84 TVRs (Last week of 2016)

Scan to discover Big Big Channel

BIG BIG CHANNEL BUSINESS

Big Big Channel business comprises the newly launched online social media platform – Big Big Channel, and music entertainment – Voice Entertainment.

The total segment revenue for the year was HK$69 million (2016: HK$35 million). Due to upfront investments in capital and operations required for this new business, the segment reported a net segment loss of HK$11 million (2016: profit of HK$0.6 million).

BIG BIG CHANNEL

With Big Big Channel's launch in July 2017, TVB has successfully completed its development of the three-media platform strategy spanning terrestrial TV, OTT services and online social media. Big Big Channel rides on the global trend of social media and engages with users via a free app and its portal (www.bigbigchannel.com.hk). This platform delivers self-produced short-formatted video content featuring TVB's artistes and KOLs covering chic topics like home-cooking, dining-out, beauty advice, child-caring, music, young lifestyles and online games. Through this innovative platform, artistes, KOLs and fans can engage with each other through interactive activities, message exchanges, and virtual gifts.

In addition to many promotional events in Hong Kong, a special artiste event was organised in Taipei for the launch of a Taiwanese variant of Big Big Channel. Similar events followed in Malaysia and Singapore in order to boost sign-up rates for this new platform. The responses to date represents a good head start for Big Big Channel. We attribute the encouraging growth to Big Big Channel's ability to leverage on TVB's leading audience share in terrestrial TV and the fast growing subscriber base of our two popular OTT platforms, myTV SUPER and TVB Anywhere.

Big Big Channel exhibits strong ability to build viewerships across major social media platforms.

As of 18 March 2018, Big Big Channel app itself, together with TVB's social media footprint on Facebook, Youtube, Instagram, Twitter, Tencent Weibo, Sina Weibo and Youku, attracted followers aggregating to over 10.7 million which included Hong Kong, Mainland China, Taiwan, Malaysia, Singapore and many other overseas countries. Thanks to the attractiveness of its content and strong user engagement, stream views totalled to more than 12 million in the last week of 2017.

The expanding user base is helping Big Big Channel to monetise through providing content marketing for advertisers, using spun-off content from TVB programmes and interactive online games. This content marketing strategy enriches our online solution offering to advertisers. Riding on effective online promotion power, the soon-to-be launched e-commerce platform is to collaborate with advertisers and clients to create value-added services.

Big Big Kids
Awards 2017

Big Big Channel
Mahjong King

Big Big Channel Promotion

Singers of The Voice Entertainment Group

REVIEW OF OPERATIONS

MUSIC ENTERTAINMENT

The Voice Entertainment Group Limited ("Voice Entertainment"), a subsidiary of the Company, engages in artistes' sound recordings, music productions, music copyrights management, music publishing, concerts and artistes' management. This music production is primarily developed for TVB drama serials and programmes.

To further strengthen our singer base, Chau Pakho and Hana Kuk have joined Voice Entertainment in 2017. After appearing in TVB's co-production drama *Line Walker: The Prelude*, Chau's popularity has grown, which helped Voice Entertainment to organise more than 10 Pakho concerts in Mainland China and Hong Kong. Another new rising star of Voice Entertainment, Hana Kuk produced her debut album which became one of the fastest selling albums in 2017, and topped all of the female singers in terms of local CD sales and hits streaming. Voice Entertainment will continue to produce quality title and ending theme songs for TVB dramas, which help promote both the programmes and the singers.

OTHER OPERATIONS

PUBLICATIONS

TVB Weekly marked its 20th anniversary in 2017. Amid the rapid growth of new media, TVB Weekly continued to flourish afloat due to loyal readership of TVB fans, and the informative content relating to many of the station's activities and events. TVB Weekly is diversifying its services to advertisers by way of event production and other related activities.

STRATEGIC INVESTMENTS

IMAGINE TIGER TELEVISION

Partnering with Imagine Entertainment, a leading Hollywood TV and film production company founded by renowned Hollywood producers Brian Grazer and Ron Howard, TVB has invested a total of US$100 million in a 50:50 joint venture named Imagine Tiger Television ("ITT"). ITT is an investment platform for development and production of a slate of TV drama serials on a co-production basis with networks in the US targeting domestic and international markets.

Since inception in July 2017, ITT has been filling its development pipeline with a number of TV projects to take to co-production partners, including CBS Corporation which has been granted the right of first-look of all outputs from ITT. Imagine Entertainment will continue to build upon the momentum of its strong connections with top-tier scriptwriters and producers, and to assemble quality TV projects in the first half of 2018, further adding more titles to ITT's production slate.

SHAW BROTHERS HOLDINGS

TVB is co-investing with China Media Capital ("CMC") in a 29.94% equity interest of Shaw Brothers Holdings (stock code: 00953), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and is principally engaged in movie and entertainment-related businesses. During the year, the production of a drama serial *Flytiger* was completed and delivered to Youku, and this drama will begin its broadcast in the first quarter of 2018. In addition, Shaw Brothers Holdings has entered into an arrangement with iQiyi for production of another drama serial *The Guard*.

FLAGSHIP ENTERTAINMENT GROUP

Together with CMC, TVB has co-invested 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. In 2017, a number of movie titles, *The Adventurers, Paradox* and *Thousand Faces of Dunjia* invested by Flagship Entertainment Group were released.

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

Scan to discover TVB Anywhere


ANYWHERE

TVB Anywhere Promotion
In Macau

Hong Kong International Film & TV Market 2017

TVB Anywhere
Promotion
In Australia


TVB Star Awards Malaysia 2017


All Things Girl
In Malaysia

StarHub TVB Awards 2017

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Operations in this business segment, comprising mainly the distribution of TVB's programmes outside Hong Kong through telecast, video and new media distribution, which accounted for 20% of the Group's revenue in the year. Total segment revenue decreased 4% from HK$1,019 million to HK$982 million mainly due to lower telecast licensing income from Mainland China and Malaysia, which was partially offset by the increased digital new media income from major PRC online operators.

Infringing sites and illegal boxes offering pirated TV programmes have taken their toll on the subscription TV businesses of our licensees in traditional markets like Malaysia and Singapore. Moreover, it has become a growing trend for the younger generation to download viewing material from sources online.

Free TV operators are now shifting their resources to explore and develop new media platforms, at the same time reducing their investment in the conventional TV business. Evidently, more telecommunications operators are embarking on new media ventures so as to strengthen their competitiveness in the market.

With changes in the media landscape, audiences are able to access a variety of viewing material via different platforms. Although contents from Korea and Mainland China seem to be popular in our markets, investments in local productions adopting TVB programme format have proven to be a success. Overseas counter-parts such as *All things Girl* and *Maria's Auspicious Menu* produced in Malaysia; *Chef Minor – Singapore* and *Wellness on the Go – Singapore* received good feedbacks from both markets. Such business ventures have helped publicise and heighten awareness of the TVB brand. This is crucially important to us especially in the face of challenges arising from new media consumption patterns.

We look forward to launching an OTT service in Malaysia by mid-2018 in collaboration with local network operators. In Singapore, we are working on a similar plan to expand traditional pay TV to OTT services. Our vision is to diversify and gain market share capitalising on contents specifically designed for the new media platforms and catering to the needs of the changing behaviour of consumers.

Digitisation in the TV industry has facilitated the growth of content licensing business. The increase in digital TV channels is driving a long-term need for programme content. This will become a golden opportunity for us to license our library materials.

MAINLAND CHINA OPERATIONS

Our operations in Mainland China included programme production and traditional licensing of content produced by TVB.

During 2017, we developed strategic cooperation with online operators on production of platform-exclusive drama serials. The first three drama titles were completed and broadcast concurrently in Mainland China and Hong Kong with notable successes, which included *Legal Mavericks* co-produced with iQiyi online platform; *Line Walker: The Prelude* and *Heart And Greed* co-produced with Tencent online platform. We believe that, through working with these major online platforms in Mainland China, we can target this prominent and rapidly growing segment by showcasing a distinctive Hong Kong-originated drama genre.

Under this co-production arrangement, TVB, as the production house, would execute the entire drama production for a

Big Big Channel Star Party In Malaysia 2017 production fee. Exploitation of the associated rights are allocated between the respective online partners (taking the PRC rights) and TVB (taking all of the non-PRC rights including Hong Kong and Macau). A number of new productions are currently in various stages of preparation which included *Deep In the Realm of Conscience, Another Era*. We anticipate that at least two new titles, subject to governmental vetting, can be released in 2018.

Licensing of TVB home-produced titles to traditional media platforms in Mainland China remains a tough business. Difficult operational environment faced by the national satellite television platforms; stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television over imported programme titles; and prolonged delays in improving the licensing arrangements in the Guangdong Province, are restricting TVB's ability to license TVB content to the traditional media.

In line with the shift from the traditional platforms to digital, our licensing of TVB content to Youku Tudou platforms have benefited from this shift. With the strong funding backing the digital new media sector, we are directing our efforts into digital and will commit more efforts and resources on exploring new media business in the coming years.

OVERSEAS OPERATIONS – OTT AND PAY TV

Infringing sites and illegal boxes offering pirated TV programmes continued to adversely affect our overseas pay TV business. The segment revenue declined 10% from HK$169 million to HK$151 million in 2017. Migration from our traditional satellite TV service to the enhanced OTT platform was completed.

TVB ANYWHERE

Leveraging on technological advancements and the high speed internet service, we have resorted to the development of TVB Anywhere around the globe. Excepting a tiny number of territories, TVB Anywhere is accessible everywhere through the Internet. Macau, Canada, Australia, New Zealand, UK and Europe are the key markets for the first phase of launch of our service. An upgraded service of TVB Anywhere was launched in June 2017, offering an extraordinary viewing experience and more diversified contents to our overseas audience.

On 11 December 2017, we launched a premier TVB Anywhere service with the cooperation of Companhia de Telecomunicações de Macau S.A.R.L., the largest telecommunication company in Macau. Remarkable sales performance was achieved during the first month after launch. This proves the effectiveness in recruiting subscribers by bundling our service with telecommunications companies. The extended exposure of TVB to Macau is perceived as significant in consolidating subscription and advertising revenue.

Further to the launch of premier service in Macau, localisation of TVB Anywhere services in the Southeast Asian markets will be our focus in 2018. While the Chinese-speaking communities are targeted as our key audiences, we saw a breakthrough in the tradition in 2017. Vietnamese-dubbed versions of our programmes were offered to non-Chinese local subscribers in Ho Chi Minh City. We are planning to take this concept further, via the TVB Anywhere platform, offering the local communities TVB programmes dubbed or subtitled in different Southeast Asian languages. We shall venture into the future with full commitment. Not only shall we expand our foreign language service concept, but will also seek improvement in enhancing the programme choice and mix. We foresee improvements, in terms of subscription and advertising revenue, as we gain popularity and recognition around the world, especially in Thailand, Cambodia and Laos.

Advancements in technology have made transmission of TV programmes borderless. Alongside with TVB Anywhere service operated via the STB and mobile applications, we have been exploring business opportunities with overseas manufacturers of electronic devices, through Android Package Kit (APK) installation on tablet, smart TV, desktop PC, etc. The branding of TVB Anywhere service will be further strengthened with this move.

In December 2017, we collaborated with Alisports in the coverage of eSports on TVB Anywhere. During the period from 11 to 14 January 2018, we provided live streaming of the World Electronic Sports Games 2017 APAC Finals held in Jiaozhou, Qingdao, coupled with Mandarin and Cantonese commentaries. eSports will be a major project of TVB Anywhere, in terms of content acquisition and revenue generation. There will be new business opportunities as our target audience will be expanded to the younger generation.

NORTH AMERICA (USA)

Our new media services managed to recapture some market share back from the otherwise the free and illegal market. Both viewership and advertising revenue are showing promising results. We are more than ready to tackle problems arising from infringers by the use of specialised sales and marketing techniques.

Last year, we won a court case against an illegal OTT syndication. This was an encouraging achievement in the long-drawn battle.

CHANNEL OPERATIONS

In 2017, we adopted an aggressive strategy of producing more original local productions on cooking, health & wellness and travelogue in Malaysia and Singapore. The programmes of *Wellness-on-the-go*, *Chef Minor Singapore* and *Experience Singapore* attracted our targeted young generation in the audience groups. These developments provided added value services to new and existing subscribers and affiliated platforms, all of which made us more competitive in these markets.

We have strengthened publicity and promotional activities in the social media platforms in Malaysia and Singapore, whereby we extended the involvement of our targeted young generation viewers.

However, advertising sales revenue was hard hit by the stagnant economy, the depreciation of the Ringgit and the political situation in Malaysia. In order to overcome these challenges, our sales team will explore new business opportunities with customers in Malaysia and Singapore by offering tailor-made sales packages and proposals of local production projects.

COMBATING PIRACY

In 2017, the problem of illicit streaming devices (ISDs), including TV boxes and apps, remained to be a major threat to TVB's businesses, especially on overseas pay TV and licensing of programmes.

Governments in different countries have stepped up their efforts in combating the problem. Industry coalitions have been formed to share intelligence, take legal actions and lobby governments to improve national legislation or implement administrative measures to halt the problem.

In the US, TVB succeeded in shutting down the operation of an ISD "TV Pad" through a legal action in 2016-17. A similar legal action against another ISD is due to conclude soon and a favourable outcome is expected.

In Australia, TVB filed an application with the court in mid-November 2017 for seeking a site-blocking order to require internet service providers to block foreign infringing streams on TVB programmes from reaching ISDs in Australia. We are positive about the outcome which is expected before mid-2018.

Similar site-blocking actions are being planned for other markets, including the UK and Canada.

Successful criminal investigations against piracy syndicates and ISD retail shops were reported in different countries. Criminal convictions with jail sentences were also seen in different jurisdictions, including the UK and Hong Kong. On 28 December 2017, three individuals were given jail sentences in Hong Kong for infringement offences running an ISD operation.

Effective legislation to tackle ISD activities is generally lacking in most countries. Lobbying efforts were made in the past few years with governments in the US, the UK, Canada, Australia, Singapore, Malaysia and Hong Kong for improving their domestic copyright legislation, and such efforts will continue. TVB has joined separate anti-piracy industry coalitions in the US, the UK, Canada and APAC region, and is actively involved in joint actions to suppress ISD activities in these jurisdictions.

To support TVB's business development in new overseas markets such as Vietnam and Thailand, initial contacts have been established with senior government officials on anti-piracy work in these countries. Positive responses have been received. Further efforts will continue to be made to combat piracy activities in these markets.

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 2017. 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 2017.

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 the 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 page 86 to 103 of this Annual Report.

ESG GOVERNANCE

The Board is charged with the overall responsibilities 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 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.

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;
- Investors 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.

ENVIRONMENTAL SOCIAL AND GOVERNANCE POLICIES

The Board has endorsed the following ESG policies:

Environmental	TVB is committed to upholding sustainability in our environmental, social and governance. 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 its business operation for the well-being of society.
Social	The Company's greatest assets is our employees who are essential to the continued success of the business. TVB strives to attract, nurture and retain talents by providing appropriate incentives and a caring and conducive work environment that encourage employees to fulfil their potential and that recognise satisfactory performance. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy workplace.
Community Investment	TV 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 its programmes and artiste resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ENVIRONMENT

The Company began ESG reporting in the Annual Report for the year ended 31 December 2016 with respect to Appendix 27 Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong.

The Company 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 operation. 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 2017, the local production hours totalled 23,659 hours (2016: 22,148 hours).

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

KPIs FOR 2017

		Type	2017		2016	
			Total	Intensity	Total	Intensity
Emissions	A 1.1	Air Emissions (SO_x) (kilogrammes) (ref: diesel & petrol consumed by vehicles)	**–**	**4.56**	–	4.61
	A 1.2	Greenhouse Gas (tonnes of CO_2e) (ref: diesel & petrol consumed by vehicle & generator; electricity; water)	**27,063.90**	**1.14**	27,575.35	1.25
	A 1.3	Hazardous waste (tonnes) (ref: used paint cans; lubricant oil by vehicle)	**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)	**2,388.00**	**0.1009**	2,256.50	0.1019
	A 1.4	Non-hazardous waste: recycled (tonnes) (ref: printing cartridges; recyclables (paper, paper cardboard, aluminum can and plastic bottle))	**107.92**	**0.0046**	100.98	0.0046
	A 1.4	Total non-hazardous waste (tonnes) (ref: waste wood; waste props; general refuse; recyclables)	**2,495.92**	**0.1055**	2,357.48	0.1064
Use of Resources	A 2.1	Direct energy consumption (kWh) (ref: diesel & petrol by vehicle & generators)	**2,863,396.02**	**121.03**	2,920,060.09	131.84
	A 2.1	Indirect energy consumption (kWh) (ref: electricity)	**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	**51,327,547.02**	**2,169.52**	52,303,925.09	2,361.56
	A 2.2	Water consumption (cubic metres)	**112,013.00**	**4.73**	109,492.00	4.94

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, public light buses, light goods vehicles and medium good vehicles for outdoor shooting, electricity and water consumption. It was recorded at 27,063.90 tonnes of CO_2e with an intensity of 1.14 kg per production hour in 2017. Wood was massively consumed for producing studio set and props. For 2017, the non-hazardous waste disposed in landfill was 2,388.00 tons and the intensity was 0.1009 tonnes per production hour. Total non-hazardous waste, including waste wood, general and recyclable refuse, was 2,495.92 tonnes in 2017. The intensity was 0.1055 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 good vehicles as well as motorcycles. The direct energy consumption was 2,863,396.02 kWh and intensity was 121.03 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. 48,464,151.00 kWh was consumed in 2017. The intensity was 2,048.49 kWh per production hour as energy efficiency projects continued to be in place.

MEASURES

The increase in energy consumption and emissions were due to additional programme production during the year. In our bid to reduce energy consumption, we continued to focus on enhancing energy efficiency and increasing employee awareness of energy saving measures.

To monitor and ensure energy efficiency, the Company completed Phase I installation of the Energy Management System ("EMS") for Central Control and Monitoring System ("CCMS"), which was put into operation in November 2017. Installation of solar films, to lower room temperature and electricity consumption, continued in 2017. Replacement of one of the water-cooled chiller units by a high-energy-efficient model equipped with an auto-tube-cleaning system was completed in September 2017. Non-essential lights and escalators were switched off during late hours. An average indoor temperature of 25.5 Degree Celsius was maintained and spot checks were made by security officers.

A vehicle replacement scheme is in place. Around 55.2% 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 initiatives to reduce our hazardous and non-hazardous waste. We continued to use low volatile-organic-compounds ("VOC") paint for fitting-out and project/maintenance in TVB City to reduce air pollution. Licensed waste collector was hired to dispose of used paint cans. 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"). Measures were introduced to promote a paperless workplace, including a new workflow system for sick leave application. Employees were encouraged to adopt double-sided printing and A5 format for printing scripts. To enhance paper recycling, the Company encouraged staff to dispose of waste papers in recycling bins which were collected by recycling agent on a weekly basis. Hand-dryers were installed in toilets to reduce consumption of paper towels. Also, the Company maintained 100% recycling of used toner cartridges in 2017 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 2017. The Company was awarded the Energywi$e Certificate and Wastewi$e Certificate under the Hong Kong Green Organisation for the energy saving and waste reduction efforts. Also the Company received the Certificate of Merit in China Light & Power ("CLP") Green Plus Award 2017. We continued to participate in CLP's Automated Demand Response Programme and obtained rebates in recognition of our energy-saving efforts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Environment Protection Department.

PLANS FOR 2018

To enhance our energy efficiency effort, we aim to complete the Phase II installation of EMS around April 2018. There are plans to further upgrade the remaining water-cooled and air-cooled chiller units. To further improve our carbon footprint, electric cars and hybrid vehicles will be actively considered during vehicle replacement in 2018.

The Company is studying ways to switch to the use of low VOC paint in outdoor shooting sites and to implement a better waste wood recycling programme. Copier papers will be provided by Forest Stewardship Council ("FSC") certified suppliers in the coming tenders. The Company is exploring the possibility of using recycled papers instead of new copier papers for copying machines. To enhance recycling rate, more recycling bins will be placed around TVB City.

With the establishment of the SSG, the Company is confident that it will give full play to putting forward environmental 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 2017, the Group had a total of 4,436 full time staff and artistes, of which 4,295 were employed in Hong Kong. About 3% of the Company's staff 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 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 three days of paternity leave on full basic salary, a maximum of 120 days fully paid sick leave, and group medical and life insurance coverage. Employees' families 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 the personnel policies, allowances, staff benefits, company facilities and security matters.

COMMUNICATION

The Company maintains an open dialogue with its staff to understand their needs. The monthly newsletter and 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 handle their grievances. Employees can also use the Company's whistleblowing system to raise concerns, in confidence, about possible improprieties.

Basketball Competition

Dragon Boat Racing

Long Service & Outstanding Employee Grand Awards Presentation Ceremony 2017

TVB Giant Basin Feast 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 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, 13 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 newsletter 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 accidents in 2017. During the year, 88 reported cases of accidents or incidents occurred, resulting in 85 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 launched a massive air-duct cleaning exercise covering 16 studios (including all variety and drama studios) around TVB City to improve Indoor Air Quality ("IAQ") in 2017. We continued to achieve very encouraging results with all 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. Also, the Company proactively used low volatile-organic-compounds paint for fitting-out and project/maintenance around TVB City to reduce employees' exposure to pollutants.

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 26 sports and recreational/leisure activities, including basketball, soccer, 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 regulation and the policy of Equal Opportunities in Employment.

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 2017, a six-month artiste training class was organised for 31 trainees. A two-month TV crew training class was organised for 20 new recruits to develop their filming, lighting and audio skills. On the creative side, a two-year creative training programme was launched for seven new recruits. In addition, more than 70 staff attended on-the-job creative training classes taught by veterans in the industry.

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 2017, we provided 107 training classes totalling 5,070 hours of training.

We continued to organise the two-year Executive Trainee Programme to nurture competent TV professionals for the Company. Three trainees were recruited in 2017 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 2017, 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 4,900 staff and artistes participated in the two-evening event.

Public Viewing Panel

34th Walk for a Million

2016/2017 Hong Kong and Kowloon Walk for Millions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

An analysis of the Group's workforce as at 31 December 2017 and 2016 is as follows:

		TVB Group	
		2017	**2016**
B1.1	**At year-end date, total workforce by gender, employment type, age group and geographical region**		
	Number of employees	**4,436**	4,249
	By gender		
	Female	**1,767**	1,667
	Male	**2,669**	2,582
	By age group		
	Below 30	**1,098**	1,022
	30-50	**2,392**	2,332
	Over 50	**946**	895
	By region		
	Hong Kong	**4,295**	4,117
	Overseas	**141**	132
	By employment contract		
	Permanent	**3,714**	3,608
	Fixed term	**722**	641
B1.2	**Employee turnover rate by gender and geographical region**		
	Number of employee turnover	**685**	613
	By gender		
	Female	**342**	283
	Male	**343**	330
	By region		
	Hong Kong	**622**	561
	Overseas	**63**	52
	Number of new hires	**872**	641
	By gender		
	Female	**442**	285
	Male	**430**	356
	By region		
	Hong Kong	**800**	618
	Overseas	**72**	23
B2.1	**Number and rate of work-related fatalities**	**–**	–
B2.2	**Lost days due to work injury**	**3,587**	3,264

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 2017, seven complaints deliberated by the Communications Authority ("CA") were substantiated; two of them concerned found indirect advertising. The imposition of overly stringent regulations and heavy-handed limitations on product placement in recent years have hindered the development of the local television industry. The Company has filed applications for judicial review against two previous CA's rulings in 2016 on indirect advertising. Both cases are pending.

PRIVACY

The Company recognises the importance of privacy and will not in any event disclose stakeholders' information 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 2017.

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 5 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 2017, a total of 41,402 enquiries, including 3,580 suggestions and comments, 659 commendations, and 61 complaints were received. Our programme hotline, which provided pre-recorded information on Jade and Pearl's prime time programme schedule, received 16,848 calls from viewers during the year. In addition, two meetings of our Public Viewing Panel were held to gauge members' opinions of our programmes and services. The panel has about 1,700 members from all walks of life.

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 2017, Gala Spectacular 2017, Yan Chai Charity Show 2017*, and *Community Chest Charity Show 2017*. The shows helped raise around HK$270 million for charity organisations in support of a wide range of worthy causes, including a record-breaking HK$118 million for the *Tung Wah Charity Show 2017*. Cumulated funds raised over the years have exceeded HK$5.2 billion.

"Say Yes to Organ Donation" promotional campaign

Charity Sale of Cookies


Life Buddies Mentoring Scheme

Life Buddies Mentoring Scheme 2017/18 launch ceremony


Mid-Autumn Festival Celebration Lunch


The Winter Solstice Food Donation Project

TVB Volunteer Team activity

TVB Inter-Collegiate Documentary Competition

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2017, 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 44 community activities in 2017. Noteworthy ones included the annual Charity Sale of Cookies, voluntary registration for organ donors, Life Buddies Mentoring Scheme, Walk for Millions and Mid-Autumn Festival Celebration Lunch.

TVB VOLUNTEER TEAM

The TVB Volunteer Team, established in 2016, now has 96 members. During the year, the team participated in 14 activities including family visits and TVB City tours for the elderly and the underprivileged, delivering 1,010 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 2017.

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.

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$9,129,104 to help those in need over the years. In 2017, subsidies totalling HK$1,335,850 were granted to 136 cases. In addition, HK$840,648 was donated to sponsor three charitable projects, benefitting 8,890 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 2017, 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 2017, 72 interns from 18 local and overseas higher education institutions were placed at various departments, such as News & Information Services Division, Production Division, Programme Division, Engineering Division and Production Facilities Division. Also, we collaborated with Vocational Training Centre by offering internship placements to their High Diploma students. In recognition of our support towards youth development, TVB was awarded "2017/18 Partner Employer Award" organised by The Hong Kong General Chamber of Small and Medium Business.

As part of our commitment to nurturing new talents for the broadcasting industry, the Company organised the TVB Inter-Collegiate Documentary Competition for the fourth consecutive year. It gave tertiary students of relevant disciplines an opportunity to practise television production in accordance with industry standards. In 2017, eight universities and colleges participated in this competition.

During the year, about 210 secondary school students and 20 teachers visited TVB City through an event jointly organised with the Journalism Education Foundation.

PLANS FOR 2018

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

FINANCIAL REVIEW

Continuing operations

For the year ended 31 December 2017, the Group's continuing operations comprised Hong Kong TV broadcasting, Hong Kong digital new media, Big Big Channel business, programme licensing and distribution, overseas pay TV operations, channel operations and other activities, including publications and movie production.

Business expansion and new businesses gave rise to inevitable increases in costs during the year. These included (i) myTV SUPER service (introduced in April 2016 and fully operational during the year); (ii) co-production of drama serials with iQiyi and Tencent; and (iii) Big Big Channel (introduced in July 2017).

The Group recorded revenue under continuing operations of HK$4,336 million (2016: HK$4,210 million), an increase of 3%. Cost of sales increased from HK$2,299 million to HK$2,319 million, an increase of 1%. As a result, gross profit amounted to HK$2,017 million (2016: HK$1,911 million), an increase of 6%. Gross profit percentage stood at 47% (2016: 45%).

During the year, revenue from Hong Kong TV broadcasting increased by 6%, which was mainly contributed by new production income from co-produced drama of HK$185 million. Licensing revenue from Singapore remained steady but revenue from Malaysia and Mainland China dropped due to unfavourable market conditions. More revenue was earned by Hong Kong digital new media business reflecting a full year's operation of myTV SUPER.

Cost of sales increased from HK$2,299 million to HK$2,319 million, an increase of 1%. Included in cost of sales were the cost of programmes and film rights which amounted to HK$1,748 million (2016: HK$1,759 million). Production costs associated with the three co-produced drama serials and full year of operation of myTV SUPER services, in particular expenditure relating to the strengthening of its programme offerings, resulted in increase in costs during the year. Such additional costs was offset by the absence of costs relating Rio 2016 Olympic Games, which was non-recurring.

Selling, distribution and transmission costs for the year amounted to HK$724 million (2016: HK$639 million), an increase of 13%. This increase was mainly attributed to business expansion of myTV SUPER service and the launch of Big Big Channel platform from July 2017.

General and administrative expenses for the year amounted to HK$900 million (2016: HK$949 million), a decrease of 5%. Despite increases of costs relating to business operations in 2017, a lesser provision for impairment losses on trade receivables was required when compared with 2016.

The Group had a net exchange gain of HK$19 million during the year (2016: net exchange losses of HK$26 million). Such exchange gains 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 gains. Last year, other losses comprised a HK$70 million settlement loss on acquisition of a further 9.99% interest in a company and a write-off of a movie investment of HK$30 million.

Gain on disposal of investment properties arose from the sale of a property on Bade Road, Taipei, during the year. Last year, the Group realised a disposal gain of HK$280 million for disposal of the property in Neihu, Taipei.

On 23 January 2018, the Company announced that it will not proceed with a share buy-back offer announced on 24 January 2017. As a result, professional fees in relation to the offer of HK$29 million were written off during the year.

Finance costs for the year amounted to HK$152 million (2016: HK$34 million) which were mainly attributed to the full year impact of interest costs of TVB Notes.

During the year, the Group shared losses of joint ventures of HK$32 million in total. This mainly comprised the share of the loss of Imagine Tiger Television LLC ("ITT"), which was formed as a joint venture in July 2017. Such loss was mainly attributed to the start-up costs and the interest expense amounting to HK$27 million on a promissory note payable to the Group which was recorded under other revenues.

FINANCIAL REVIEW

Profit before income tax for the year amounted to HK$358 million (2016: HK$553 million), a decrease of 35% over 2016.

The Group's income tax expense amounted to HK$94 million (2016: HK$105 million), a decrease of 10%. 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 40%.

Discontinued operations

Last year, the Group disposed of its remaining 47% equity interest in a joint venture, Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), and generated a net gain on disposal of HK$71 million. Such a gain did not recur in the year.

Earnings per share

Overall, the Group's profit attributable to equity holders for continuing and discontinued operations for the year totalled HK$244 million (2016: HK$500 million), a decrease of 51%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK$0.56 (2016: HK$1.14).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting which mainly comprised income from advertisers from the Group's free TV channels and the production income from co-produced drama serials increased from HK$2,707 million to HK$2,870 million, an increase of 6%. The above increase in revenue of HK$163 million and the absence of non-recurring costs relating to Rio 2016 Olympic Games were the key reasons for the change from the segment loss before non-recurring items of HK$71 million to a segment gain of HK$165 million.

Revenue from Hong Kong digital new media which comprised subscription and advertising income increased from HK$230 million to HK$306 million, an increase of 33% due to the full year of operation of myTV SUPER. Increase in content costs due to the better programme offering, resulted in a segment loss of HK$85 million (2016: a loss of HK$29 million).

Revenue from Big Big Channel business which comprised advertising income from online social media platform, Big Big Channel, and music entertainment income. 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. As a result of the start-up overhead costs incurred for the launch of Big Big Channel in the second half of the year, this segment recorded a loss of HK$11 million (2016: a gain of HK$0.6 million).

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, decreased from HK$1,019 million to HK$982 million, a decrease of 4%. The decrease in revenue was mainly attributable to the lower telecast licensing income in Mainland China and lower license fee from MEASAT in Malaysia. The licensing income from Singapore remained relatively steady. Lower programme costs and bad debt provision were incurred. In addition, a net gain in exchange arising from stronger Renminbi and Malaysian Ringgits was also booked during the year. As a result, this segment recorded a profit of HK$493 million (2016: HK$444 million), an increase of 11%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and TVB Anywhere business, decreased from HK$169 million to HK$151 million, a decrease of 10%. The increase in loss was mainly due to the adverse impact on subscription revenue caused by the proliferation of pirated TV contents overseas and higher costs incurred for the TVB Anywhere platform upgrade during the year which were partially offset by lower programme costs. As a result, this segment recorded a loss of HK$53 million (2016: a loss of HK$40 million).

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK$90 million to HK$85 million, a decrease of 6%, which was due to lower advertising income in Malaysia. More cost savings resulting from the completion of satellite migration for TVB8 and Xing He channels and a higher exchange gain arising from stronger Malaysian Ringgits were recorded during the year. The segmental profit increased from HK$2 million to HK$11 million, an increase of 383%.

Revenue from other activities which mainly comprised revenue from magazine publishing and movie production recorded a decrease from HK$156 million to HK$93 million, a decrease of 40%. Decrease in revenue was mainly due to box office income from a movie was taken up last year. This segment recorded a profit before non-recurring income of HK$33 million (2016: HK$27 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2017. Total equity stood at HK$7,157 million (2016: HK$7,230 million), a decrease of 1%. There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

During the year, the Group had invested in a joint venture of ITT by capital contribution for 50% of its equity interest of US$33 million and provision of a Promissory Note of US$67 million. The purpose of ITT is to finance the development and production of a slate of television projects.

At 31 December 2017, the Group had restricted cash of HK$4,307 million (31 December 2016: HK$6 million). Increase was mainly due to setting aside cash for the share buy-back offer of HK$4,209 million. Subsequently, the amount of HK$4,209 million has been released from restricted cash after the Board announcement dated 23 January 2018 on the decision not to proceed with the share buy-back offer. At 31 December 2017, the Group had unrestricted bank and cash balances of HK$893 million (2016: HK$6,198 million). The decrease of 86% was mainly due to the restricted cash for the share buy-back offer and US$100 million investment in ITT. Out of total bank deposits and cash balances held by the Group, 56% in US dollars, 34% were in Hong Kong dollars, 7% in Renminbi and 3% in New Taiwan dollars. About 14% of the total bank deposits and cash balances (approximately HK$709 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations was placed as time deposits and certificates of deposit.

The certificates of deposit amounting to HK$775 million held at 31 December 2016 (as held-to-maturity financial assets under current assets) had matured on 23 January 2017. As at 31 December 2017, the Group had held-to-maturity bond securities amounting to HK$775 million (2016: HK$524 million) which comprises a portfolio of fixed income securities issued by a number of issuers which are listed or unlisted in Hong Kong or overseas carrying a weighted average yield-to-maturity of 6.03% per annum (2016: 4.79%) and with maturity dates ranging from 18 January 2018 to 19 February 2027. This portfolio has been set up for treasury management purpose with the view to enhance the overall yield of the Company's cash reserves, under an established treasury policy endorsed by the Executive Committee of the Board.

Trade receivables from third parties amounted to HK$1,588 million (2016: HK$1,279 million) increased by 24% over the last year end. Balances from one major licensee, MEASAT Broadcast Network Systems Sdn Bhd, which ceased to be a related party during the year was re-classified as trade receivables from third parties as at the end of the year. Receivables from co-production of drama and advertising and subscription receivables resulted from the growth of myTV SUPER business also contributed to the increase. Special provision had been made to cover any potential bad and doubtful debts.

Subsequent to the year end, the Group executed a sales and purchase agreement to sell certain remaining property assets in Taiwan, with a carrying value amounting to HK$43 million, which was presented as "Non-current asset held for sale" in the consolidated statement of financial position at the end of the year.

Trade and other payables and accruals decreased from HK$921 million to HK$872 million mainly due to the settlement of the provision for taxes in relation to the disposals of equity interest in the Liann Yee Group and the Neihu property, which was offset by advanced payments from co-producers of drama.

FINANCIAL REVIEW

In 2016, the Group issued TVB Notes which are guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited. The TVB Notes proceeds has been deployed to fund the expansion of digital new media business and other capital expenditures, to make strategic investments and for general corporate purposes. At 31 December 2017, the gearing ratio, expressed as a ratio of gross debts to total equity, was 53.3% (2016: 53.1%).

At 31 December 2017, the Group's net current assets amounted to HK$7,265 million (2016: HK$8,533 million), a decrease of 15%. The current ratio, expressed as the ratio of current assets to current liabilities, was 9.2 at 31 December 2017 (2016: 10.1).

At the year end, the Group had capital commitments totalling HK$227 million (2016: HK$300 million), a decrease of 24%.

FINANCIAL GUARANTEES

At 31 December 2017, there were guarantees given to banks amounting to HK$8 million (2016: 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 the 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 SCHEME

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

Details of the share option schemes were set out in the Company's circular dated 29 May 2017.

HUMAN RESOURCES

At the year end, the Group employed a total of 4,436 full-time employees (2016: 4,249), 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. Non-sales personnel are remunerated on a monthly salaries basis. About 3% of the Group's manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as incentive for better performance. For the year, all qualified personnel received discretionary bonuses averaging one month's basic salaries. Under the share option schemes of the Group, options may be granted to certain directors and employees of the Group to subscribe for shares in the Company or Big Big Channel Holdings.

From time to time, the Group organizes, 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.

TREASURY MANAGEMENT

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

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

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

Dr. Charles CHAN Kwok Keung, aged 63, 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 37 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 48, 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 Holdings (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 York

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 Risk Committee
Member of Audit Committee

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

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 ("Stock Exchange"). 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 62, 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

DIRECTORS

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 61, 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. 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 45, was appointed as a Non-executive Director of the Company on 23 April 2015 and re-designated as an Executive Director of the Company on 21 March 2018. He serves as a member of the Executive Committee. Mr. Hui is the chief operating officer and an executive director of CMC Holdings Limited. Mr. Hui is a non-executive director of Shaw Brothers Holdings Limited, a company listed on the main board of the Stock Exchange. 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. Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market, and was also a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. Mr. Hui 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 60, 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 and the Nomination Committee. Mr. Lee is a director of Hysan Development Company Limited, a company listed on the main board of the Stock Exchange, and a director of Lee Hysan Estate 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 62, 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 68, 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 Risk Committee, as well as a member of the Audit Committee. Dr. Or is the chairman and an executive director of China Strategic Holdings Limited, the chairman and an independent non-executive director of Esprit Holdings Limited, and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited, and Regina Miracle International (Holdings) Limited, all of which are listed on the main board of the Stock Exchange. 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 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 57, 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, a member of the Remuneration Committee, the Nomination Committee and the Risk Committee. Dr. Lo is the vice chairman of Kidsland International Holdings Limited. He also serves as an independent non-executive director of CSI Properties Limited, SITC International Holdings Company Limited, Jingrui Holdings Limited and Ronshine China Holdings Limited, all of which are listed on the main board of the Stock Exchange. Dr. Lo is also 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 and South China Media Group 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.

DIRECTORS

Professor Caroline WANG Chia-Ling, aged 65, 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 69, 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 an independent non-executive director and the 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 and Pacific Century Premium Developments Limited, all of which are listed on the main board of the Stock Exchange. 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, he is now an honorary advisor of such Authority. He serves as the board of director of the Alibaba Entrepreneurs Fund, a board member of the Airport Authority of Hong Kong, the appointed member of the Economic Development Commission of Hong Kong, 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 50, 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 54, 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 57, 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, 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 2017.

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 pages 112 to 113.

Distributable reserves of the Company amounted to HK$4,854,971,000 at 31 December 2017 (2016: HK$5,349,587,000).

DIVIDENDS

The Board declared interim dividends of HK$0.60 and HK$0.30 per share on 24 May 2017 as first interim dividend, and on 23 August 2017 as second interim dividend, respectively. The first interim dividend of HK$0.60 per share was largely the result of the Board's resolution to defer any final dividend proposal for the 2016 annual results until outcome of the share buy-back offer was clarified. For the full year, the Board has recommended a final dividend of HK$0.30 per share, which would make a total dividend of HK$1.20 per share (2016: HK$0.60 per share).

In recognising the Company's steady dividend policy during a period of lower profitability, the Board has in addition recommended a special dividend of HK$0.70 per share for the year. By doing so, the Board wishes to demonstrate its confidence in the Company's future.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 23 May 2018 ("2018 AGM"), the final dividend and the special dividend shall be paid in cash to shareholders whose names are recorded on the Register of Members of the Company on 31 May 2018. Dividend warrants for the final dividend and the special dividend will be despatched to shareholders on 12 June 2018.

CLOSURE OF REGISTER OF MEMBERS

FIRST BOOK CLOSE

The Register of Members of the Company will be closed from Wednesday, 2 May 2018 to Wednesday, 23 May 2018, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the 2018 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 2018 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 Monday, 30 April 2018.

SECOND BOOK CLOSE

The Register of Members of the Company will be re-opened on Thursday, 24 May 2018 and then will be closed again from Tuesday, 29 May 2018 to Thursday, 31 May 2018, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend and the special dividend. During the Second Book Close Period, no transfer of shares will be registered.

In order to be entitled to the final dividend and the special 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, 28 May 2018.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$1,261,000.

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 17 to the consolidated financial statements.

SHARE BUY-BACK

As announced on 24 January 2017 and revised on 13 February 2017, the Company put forward a proposal to buy back 120 million shares out of a total of 438 million shares (representing approximately 27.4%) at the offer price of HK$35.075 per share ("Offer"). The Offer was conditional upon, amongst others, a whitewash waiver being granted by the Securities and Futures Commission ("SFC"). As noted in the Company's interim report for 2017, the Offer was then pending the Company's application to the High Court for a judicial review on certain decisions ("Panel Rulings") of the Takeovers and Mergers Panel of the SFC ("Panel"). These matters were dealt with at a Court hearing on 26 and 27 September 2017. On 4 October 2017, the Court allowed the Company's application for judicial review and ordered that the Panel Rulings be quashed. The decision affirmed the Company's position to proceed with the Offer on terms as originally proposed by the Company.

Amongst the conditions of the Offer, the Offer was subject to a condition that no regulatory authority in Hong Kong having objected to the close of the Offer. Pursuant to a referral made by the Panel, the Communications Authority ("CA") informed the Company that it was examining issues relating to the previous applications for shareholding changes in 2015 and 2016 ("CA's Assessment"), and the timeline for such assessment was not certain. The Company informed shareholders that it was cooperating with the CA on its assessment but in the event that the CA's Assessment was not satisfactorily concluded by 23 January 2018, being the first anniversary of the making of the Offer, it would apply to the SFC for its consent to not proceed with the Offer.

On 23 January 2018, the Company noted that the CA's Assessment was still ongoing and timeline for conclusion of the CA's Assessment remained uncertain. Accordingly, the Company announced on 23 January 2018 that it had obtained the SFC's consent for the Company to not proceed with the Offer. In the meantime, the Company will continue to assist the CA in order to bring the CA's Assessment to a conclusion as soon as possible. The Board will continue to evaluate various options for the Company, and at the appropriate time will consider whether to revisit a share buy-back offer, or whether an alternative transaction to achieve the Company's commercial aims could be put to shareholders.

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 104.

BUSINESS REVIEW

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

OVERALL

TVB has a dominant market share of over 85% in TV broadcasting Hong Kong, and employs a total of 4,436 (2016: 4,249) employees in Hong Kong and overseas. Details of the geographical distribution of employees can be found on page 54.

REPORT OF THE DIRECTORS

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 have to switch off by 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, on par with that for the analogue services.

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.

DIGITAL NEW MEDIA

In order to cater to the changing viewing habits of viewers, TVB commenced development of its digital new media business over 10 years ago.

TVB launched an Internet-connected TV service or OTT service named myTV SUPER in April 2016. Viewers enjoy through a subscription service a very large quantity of linear channels and programmes on demand.

myTV SUPER OTT service is the largest OTT platform in Hong Kong with over a total of 5.8 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.

The Big Big Channel business comprises the newly launched online social media platform – Big Big Channel, and music entertainment – Voice Entertainment.

With the global launch of Big Big Channel, an online social media platform, in July 2017, 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.

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.

TVB operates a total of 14 apps, targeting different segment of viewers who are seeking programmes and documentaries; news; entertainment news; finance related news and content. The monetisation of the content is by way of display advertisements, both in static or video format.

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. During the year, TVB's contracts with MEASAT Broadcast Network Systems Sdn Bhd in Malaysia and StarHub Cable Vision Limited in Singapore continued to take effect. Beyond these key markets, TVB continues to explore the licensing of content to newer markets, including Vietnam and Cambodia, as part of its business to further widen distribution.

OVERSEAS PAY TV OPERATIONS

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.

CHANNEL OPERATIONS

TVB produces and distributes two satellite TV channels, namely TVB8 and Xing He channels, for distribution in markets such as Mainland China, Malaysia and Singapore.

OTHERS

TVB operates a number of TV related businesses, namely movie investment and magazine publication.

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.

IMPORTANT EVENTS AFFECTING THE COMPANY THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

On 23 January 2018, the Company announced that it would not proceed with the share buy-back offer. Details of this announcement have been included under the section on Share Buy-Back above.

REPORT OF THE DIRECTORS

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

Key financial performance indicators

- For the year, the Group's gross profit percentage had increased from 45% to 47%, and its operating profit percentage maintained at 13%.
- The Group's gearing ratio (calculated on the basis of total debt over total equity) as at 31 December 2017 was 53.3% (31 December 2016: 53.1%).

Dividend policy

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

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 2017 were, and at the date of this Annual Report are, as follows:

Executive Directors

Mark Lee Po On

Cheong Shin Keong

Thomas Hui To (re-designated on 21 March 2018)

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 Late Director

The late Mona Fong passed away on 22 November 2017. She had been a Director of the Company since October 1988. The late Mona Fong was appointed deputy chairperson of the Company in October 2000 and assumed the role of managing director in May 2006 until her retirement in March 2012. She continued to serve as a non-executive Director of the Board until 22 November 2017. The Company thanked the contribution and guidance of the late Mona Fong over the past thirty years.

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. Li Ruigang, who was appointed by the Board as Directors of the Company in 2016 and held offices as Director until the Company's annual general meeting held on 29 June 2017 ("2017 AGM"), was successfully elected as Director at the 2017 AGM. Dr. Charles Chan Kwok Keung, who retired at the 2017 AGM, was successfully re-elected as Director at the 2017 AGM.

In accordance with Article 117(A) of the Articles, 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 will retire at the 2018 AGM and, being eligible, offer themselves for re-election at the 2018 AGM.

Biographical information of each of the Directors who are subject to retirement for re-election at the 2018 AGM, are set out in the notice of the 2018 AGM which will be sent to the shareholders of the Company.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' SERVICE 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 64 to 69 of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2017, 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 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 an China ("Interested Companies"). In addition, Mr. Thomas Hui To, an Executive Director of the Company (he was a Non-executive Director of the Company as of 31 December 2017), is also a director of CMC Holdings Limited 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 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2017, the interests and short positions of the Directors and chief executive in the shares of the Company and any of its associated corporations (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
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 2017:

(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 ("CMC Holdings"). CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer 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.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

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

Notes:

At 31 December 2017:

(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 were controlled by Mr. Li Ruigang.

(c) The interests held by this Director represented long positions.

Save for the information disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouses, and children under 18 years of age) 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, the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance").

SHARE OPTION SCHEMES

Share Option Scheme of the Company

The Company adopted a share option scheme ("TVB Option Scheme") at the 2017 AGM ("Adoption Date for TVB Option Scheme"). The TVB Option Scheme is designed to provide the scheme participants with the opportunity to acquire proprietary interests in the Company, thereby encouraging the grantees of such options to work towards enhancing the value of the Company and for the benefit of the Company and shareholders as a whole.

Basically, the TVB Option Scheme shall be valid for ten years from the Adoption Date for TVB Option Scheme. The Board or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of the Company or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers providing service or goods to the Company or its affiliate; a customer or joint venture partner of the Company or its affiliate; a trustee of any trust established for the benefit of employees of the Company or its affiliate, any other class of participants which the Board 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).

As of the Adoption Date for the TVB Option Scheme, the number of shares of the Company issuable pursuant to the TVB Option Scheme was 43,800,000 shares (equivalent to 10% of the total issued shares of the Company on Adoption Date for TVB Option Scheme) which will be subject to the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the shares which may fall to be allotted and issued pursuant to exercise of share options in accordance with the terms and conditions of the TVB Option Scheme. The Company may, at any time, refresh such limit, subject to shareholders' approval up to 30% of the total issued shares of the Company at the time.

No share options were granted, exercised, cancelled or lapsed under the TVB Option Scheme during 2017.

The Directors consider that it is not appropriate to state the value of the share options which may be granted under the TVB Option Scheme as if they had been granted as at the end of the year, as a number of variables which are crucial for the calculation of the share option value have not been determined. Such variables include subscription price, option period, lock-up period (if any), performance target (if any) and other relevant variables. The Directors believe that any calculation of the value of the share options as at 31 December 2017 would be based on a great number of speculative assumptions.

Subsidiary Share Option Scheme of Big Big Channel Holdings

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings ("Subsidiary Option Scheme") at the 2017 AGM ("Adoption Date for Subsidiary Option Scheme"). The Subsidiary Option Scheme is designed to provide the Subsidiary Option Scheme participants with the opportunity to acquire proprietary interests in Big Big Channel Holdings, thereby encouraging the grantees of such options to work towards enhancing the value of Big Big Channel Holdings and for the benefit of Big Big Channel Holdings and its shareholders as a whole. Basically, the Subsidiary Option Scheme shall be valid for ten years from the Adoption Date for Subsidiary Option Scheme. The board of directors of Big Big Channel Holdings ("Big Big Channel Holdings Board") or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to Big Big Channel Holdings or its affiliate; a customer or joint venture partner of Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of Big Big Channel Holdings or its affiliate, any other class of participants which Big Big Channel Holdings' Board or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of Big Big Channel Holdings).

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme during 2017.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during the year 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 2017, 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
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 of the Company and its Associated Corporations".

At 31 December 2017:

(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. CMC Holdings was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Holdings directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer 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 or its associated corporations (within the meaning of Part XV of the SFO) required to be disclosed pursuant to the SFO, the Listing Rules and the Companies Ordinance.

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 2017 were HK$3,755,000.

   (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 2017 were HK$4,541,000.

   (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 2017 were HK$2,574,000.

   (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 2017 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 2017 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 2017 was HK$90,000.

(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 2017 was HK$180,000.

(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 2017.

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. The rent and related expenses incurred by TVB.COM during 2017 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 2017 were HK$4,081,000.

(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 2017 was HK$180,000.

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. The rent and related expenses incurred by the Company during 2017 were HK$351,000.

4. Continuing connected transactions with TVB (Overseas) Holdings Limited, 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 ("Licence Agreement") with TVB (Overseas) Holdings Limited ("TVBOH") a direct wholly-owned subsidiary of 上海翡翠東方傳播有限公司 ("TVBC") in relation to the supply of the licensed programmes in the PRC, on such terms and conditions as stipulated in the Licence Agreement; and (ii) TVBO Facilities Limited ("TVBO"), an indirect wholly-owned subsidiary of the Company, entered into a supply agreement ("Supply Agreement") with TVBOH in relation to the supply of the TV broadcasting and marketing materials in the PRC, on such terms and conditions as stipulated in the Supply Agreement.

   As a results of Mr. Li Ruigang becoming the Vice Chairman and a Non-executive Director of the Company on 17 October 2016, the abovementioned transactions had technically become continuing connected transactions for the Company as both TVBC and TVBOH were the associates of Mr. Li. The transactions, therefore, are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the Licence Agreement and Supply Agreement are as follows:

   (a) On 25 November 2015 (and supplemented on 31 December 2015), TVBI and TVBOH entered into a Licence Agreement, pursuant to which the TVBI agreed to supply during the period commencing from 1 January 2016 to 31 March 2018 to TVBOH with the licensed programmes as selected by TVBOH and grant an exclusive licence to TVBOH, 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 transaction amount received by TVBI during 2017 was HK$184,164,000.

   (b) On 25 November 2015, TVBO and TVBOH entered into a Supply Agreement, pursuant to which the TVBO agreed to supply during the period commencing from 1 January 2016 to 31 March 2018 to TVBOH with the TV broadcasting and marketing materials relating to the licensed programmes as selected by TVBOH. The transaction amount received by TVBO during 2017 was HK$17,716,000.

All of the Independent Non-executive Directors of the Company having reviewed and confirmed the transactions described in paragraphs 1, 2, 3 and 4 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 80 to 82 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 TVBOH for the period from 17 October 2016 to 31 March 2018 as set out in the attached list of continuing connected transactions (the "TVBOH Transactions"). There was no annual cap for the TVBOH Transactions for 2017, and accordingly we do not provide a conclusion on whether the TVBOH Transactions have exceeded an annual cap. Our conclusion is not modified in respect of this matter".

The following transactions are transactions between the Company and persons connected with insignificant subsidiaries which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements/ did not constitute continuing connected transactions under Chapter 14A of the Listing Rules:

5. Transactions with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT")

   On 30 June 2016, TVBI, a wholly-owned subsidiary of the Company, entered into an agreement with MEASAT to extend the arrangements under the agreements entered on 13 December 2010 for a term not exceeding four years and to agree on new commercial arrangements for a term of four years commencing on 1 February 2016 ("New MEASAT Agreements"). As at the date of the New MEASAT Agreements, MEASAT was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, and the aggregate value of these non wholly-owned subsidiaries' total assets, profits and revenue represented less than 5% under the relevant percentage ratios (as defined in the Listing Rules) for the financial year ended 31 December 2017, the transactions contemplated under the New MEASAT Agreements were exempt from all the applicable requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.09(1) and (2) of the Listing Rules. During 2017, MEASAT ceased to be an associate of the substantial shareholder of the said three of the Company's non wholly-owned subsidiaries on 22 May 2017 and the said three non wholly-owned subsidiaries became the wholly-owned subsidiaries of the Company on 22 May 2017.

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.

REPORT OF THE DIRECTORS

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 2017 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 38 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 24 to the consolidated financial statements.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 93 to 101.

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 86 to 103 of this Annual Report.

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

During the year, the Company purchased US$8,500,000 nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US$8,469,000 through open market. As at 31 December 2017, US$500,000,000 nominal amount of TVB Notes remained outstanding. Details of TVB Notes and the purchase are set out in Note 20 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 21 March 2018, there were 363 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 2017 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 21 March 2018

CORPORATE GOVERNANCE REPORT

TVB's key corporate governance practices and activities during the year ended 31 December 2017 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 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY AND REPORTING

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 five Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk 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 Executive Directors
4 Non-executive Directors
4 Independent Non-executive Directors

Remuneration Committee
1 Non-executive Director
2 Independent Non-executive Directors

Audit Committee
1 Non-executive Director
3 Independent Non-executive Directors

Internal Audit
Head of Internal Audit

Executive Committee
3 Executive Directors
2 Non-executive Directors

Nomination Committee
1 Non-executive Director
3 Independent Non-executive Directors

Risk Committee
2 Executive Directors
3 Independent Non-executive Directors

The composition of 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 in page 89 and the Directors' biographical information are set out on pages 64 to 68 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 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 available on the Corporate's Website.

The Board has a total of 11 Directors

Executive Directors	Non-Executive Directors
3	8 (inclusive of 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	2 Directors	4 Directors	3 Directors

The average age of Directors is 60 years old.

Years of directorships with TVB

1-4 years	5-8 years
6	5

The Directors have very diversified background, ranging from management, finance 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 and of the conduct, business activities and development of the Company. Management provides monthly management accounts, press releases and cuttings, and other information to Directors 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 in respect of operational issues.

In order to keep Directors abreast of professional developments, the Company organises relevant training sessions to Directors from time-to-time on updates in rules and regulations, market developments, and other relevant topics. In December 2017, the Company provided training sessions on a number of topics, covering a recap of the key changes in the Corporate Governance matters, and the key provisions of the Broadcasting Ordinance, especially the provisions in relation to Disqualified Persons. In addition, each Director was asked to provide to the Company a complete record of trainings he/she received from other sources 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:

- Dr. Charles Chan Kwok Keung retired and was successfully re-elected as Director at the 2017 AGM.
- Mr. Li Ruigang, who was appointed as Director of the Company on 17 October 2016, retired and was successfully elected as Director at 2017 AGM.
- The late Mona Fong, a Non-executive Director of the Company, passed away on 22 November 2017.
- Mr. Thomas Hui To, who was re-designated as an Executive Director of the Company on 21 March 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**
Chairman and Non-executive Director					
Charles Chan Kwok Keung	Chairman	–	Member	–	–
Vice Chairman and Non-executive Director					
Li Ruigang	–	–	–	–	–
Executive Directors					
Mark Lee Po On	Member	–	–	–	Member
Cheong Shin Keong	Member	–	–	–	Member
Thomas Hui To	Member	–	–	–	–
Non-executive Directors					
Anthony Lee Hsien Pin	–	Member	–	Member	–
Chen Wen Chi	Member	–	–	–	–
Independent Non-executive Directors					
Raymond Or Ching Fai	–	Member	Chairman	Chairman	Chairman
William Lo Wing Yan	–	Chairman	Member	Member	Member
Caroline Wang Chia-Ling	–	Member	–	–	Member
Allan Zeman	–	–	–	Member	–

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF DIRECTORS

The attendance[1] records of Directors at the Board and its Committees' meetings and annual general meeting in 2017 are set out below:

Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Risk Committee meetings	2017 AGM
Charles Chan Kwok Keung	7/7	18/20	–	1/1	–	–	1/1
Li Ruigang	7/7	–	–	–	–	–	1/1
Mark Lee Po On	7/7	20/20	–	–	–	2/2	1/1
Cheong Shin Keong	7/7	20/20	–	–	–	2/2	1/1
Thomas Hui To	7/7	19/20	–	–	–	–	1/1
Anthony Lee Hsien Pin	7/7	–	3/3	–	1/1	–	1/1
Chen Wen Chi	0/7	0/20	–	–	–	–	0/1
Raymond Or Ching Fai	7/7	–	3/3	1/1	1/1	2/2	1/1
William Lo Wing Yan	6/7	–	3/3	1/1	1/1	2/2	1/1
Caroline Chia-Ling Wang	5/7	–	3/3	–	–	2/2	0/1
Allan Zeman	7/7	–	–	–	0/1	–	1/1

Notes:

Demonstration – Total numbers of meeting(s) attended/Total number of meeting(s) held during 2017

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 The late Mona Fong, a Non-executive Director of the Company, who passed away on 22 November 2017, attended three Board Meetings during 2017.

3 Mr. Chen Wen Chi did not attend the meetings of the Company during 2017 due to his tight business schedule. Although Mr. Chen could not attend 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 2017.

BOARD MEETINGS

During 2017, the Board held a total of seven meetings and passed a total of three resolutions-in-writing which dealt with, inter-alia, the following matters:

- approved the share buy-back offer
- approved the annual results for the year ended 31 December 2016
- approved the first interim dividend for 2017
- reviewed the 2017 first quarter performance of the Group
- approved the investment and the formation of Imagine Tiger Television LLC with Imagine Holding Company LLC
- approval the interim results for the six months ended 30 June 2017 and the second interim dividend for 2017
- approved the operating and capital budgets for the year ending 31 December 2018
- approved the continuing connected transactions with Shaw Movie in relation to rental of premises, car parking and storage space
- approved the TVB Option Scheme and the Subsidiary Option Scheme
- approved the publication of announcements in connection with the above matters as required under the Listing Rules

During 2017, the Chairman of the Board, as required under the Listing Rules, held a meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors to discuss issues relevant to the Board. No matters of significance arose from this meeting between the Chairman and the Non-executive Directors.

All Directors, have confirmed, following enquiry by the Chairman of the Board that they had spent sufficient time in the affairs of the Company during 2017.

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 69 of the annual report under Senior Management. The Company Secretary confirmed that he had undertaken over 15 hours of training, 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 the Directors, before they are approved by the Chairman.

Pursuant to the Articles, a resolution-in-writing signed by all 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

During the year, a total of four Independent Non-executive Directors namely, Dr. Raymond Or Ching Fai, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman served on the Board. This number of four fulfills the requirement of minimum three independent non-executive directors as prescribed under Rule 3.10(1) of the Listing Rules and currently 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 Independent Non-executive Directors possesses related financial management expertise.

Each of the Independent Non-executive Director of the Company has given the Company a confirmation of his/her independence. The Nomination Committee has reviewed, 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 they are independent.

The Independent Non-executive Directors 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. Wang Hsiueh Hong (Spouse of Mr. Chen Wen Chi, a Non-executive Director of the Company) are indirect shareholders of Shaw Brothers Limited 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.

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. 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, will retire at the 2018 AGM and, being eligible, offer themselves for re-election at the 2018 AGM.

Details of the Directors, who are subject to re-election at the 2018 AGM, are set out in the notice of the 2018 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 2017.

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.

During 2017, the Company provided the Directors updates on (i) Disqualified Persons Restrictions under the Broadcasting Ordinance, (ii) Corporate Governance Code under the Listing Rules, (iii) Directors' responsibilities under the Environmental, Social and Governance under the Listing Rules.

BOARD COMMITTEES

The Board is supported by five Board Committees, namely:

- Executive Committee;
- Audit Committee;
- Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

Each of them has defined terms of reference covering its authority, duties and functions. The terms of reference of these five 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 89 of this CG Report.

During 2017, the Executive Committee held a total of twenty 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;
- 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 89.

During 2017, 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 2017, 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 105 to 109 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 2017, 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 2017, 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 97.

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

	2017 HK$'000	2016 HK$'000
Company (Note 1)	**2,922**	2,665
Subsidiaries	**3,301**	3,144
Total	**6,223**	5,809
Fees payable to PricewaterhouseCoopers, the principal auditor	**5,488**	5,101

Fees for non-audit services

	2017 HK$'000	2016 HK$'000
Company	**900**	343
Subsidiaries	**2,261**	2,944
Total (Note 2)	**3,161**	3,287
Fees payable to PricewaterhouseCoopers, the principal auditor (Note 3)	**2,813**	2,874

Note:

[1] The amount included other audit related services of HK$910,000 paid to PricewaterhouseCoopers during the year.

[2] Total fees for non-audit services for 2017 amounted to HK$3,161,000, of which HK$270,000 was capitalised.

[3] Non-audit services rendered to the Group by PricewaterhouseCoopers during 2017 mainly included professional tax consulting services performed by the tax department and cyber security assessment service performed by the risk assurance department of PricewaterhouseCoopers, which are 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 2017 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.

During 2017, the Board approved certain amendments of the terms of reference of the Risk Committee to include consideration with delegated responsibility of the Company's policies, strategies and reporting in relation to environmental, social and governance matters.

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 89.

The Risk Committee meets at least twice a year. Additional meetings may be held as the work of the Risk Committee demands. During 2017, 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 cyber security measures across the Group to see if there are gaps and reviewed a report from a cyber security expert from PricewaterhouseCoopers on cyber risks of the Group and adequacy of current procedures;
- Reviewed a draft ESG report from the Sustainability Steering Committee from Management and reviewed the progress made by Management on environmental, social and governance matters during the year ended 31 December 2017.

The attendance records of Directors at all Committee meetings in 2017 are set out in the table in this CG Report on page 90.

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 meeting.

Principal Risks	Description	Key Mitigations
Business and Market Risk	• Decline in terrestrial TV viewers caused by digital technology disruption • Due to limited choices of programmes offered by free-to-air television channels, viewers are opting for the Internet and other devices for non-linear viewing	• Launched myTV SUPER OTT service and Big Big Channel social media platform in 2016 and 2017 respectively • Enhancing drama production, including producing more major dramas with co-production partners
Business Operating Process	• Declining drama programme quality produced by TVB	• Appointment of a key personnel for content creation, production development and programming
Information Technology	• Cyber-attacks targeting both internal IT and production systems	• Setting up an internal cyber risk coordination committee • Strengthening IT security infrastructures • Increasing security of master production files

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 89.

During 2017, the Remuneration Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed and approved the discretionary bonus pool to members of senior executives for 2017;
- reviewed and approved the specific discretionary bonus to members of Senior Management for 2017;
- approved the salary increments to members of Senior Management for 2018; 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. Such fees had been approved by Shareholders of the Company at the 2017 AGM of the Company.

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 2017 and the year ending 31 December 2018 are set out below:

Individual director serving	Annual fees for 2017 HK$	Annual fees for 2018 HK$
Board of Directors		
Chairman of the Board	286,000	300,000 [1]
Vice Chairman of the Board	250,000	280,000 [2]
Executive and Non-executive Directors	240,000	260,000 [3]
Executive Committee		
Chairman	195,000	195,000
Members (who is not an Executive Director)	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

Notes:

[1] It was proposed a Chairman's fee of HK$300,000 per annum payable to Dr. Charles Chan Kwok Keung, who is a Non-executive Director of the Company, with effect from 1 January 2018. Such fee is subject to shareholders' approval at the 2018 AGM.

[2] It was proposed a Vice Chairman's fee of HK$280,000 per annum payable to Mr. Li Ruigang, who is a Non-executive Director of the Company, with effect from 1 January 2018. Such fee is subject to shareholders' approval at the 2018 AGM.

[3] It was proposed an increase of fee payable to Directors from HK$240,000 per annum to HK$260,000 per annum with effect from 1 January 2018, is subject to shareholders' approval at the 2018 AGM.

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 89.

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

During 2017, the Nomination Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed the Board composition;
- reviewed the independence of the Independent Non-executive Directors of the Company; and
- reviewed and made recommendations to the Board the re-election of Directors at the 2017 AGM.

NOMINATION OF DIRECTORS

For considering the appointment of directors, the Nomination Committee makes reference to criteria including, inter-alia, reputation for integrity, background, accomplishment and extensive business experience in the commercial industry, time commitment, relevant interest, and independence (for Independent Non-executive Director only) to consider candidates are suitable to fill the said positions.

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 Independent Non-executive Directors) 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.

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.

CORPORATE GOVERNANCE REPORT

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 2017.

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.

2017 ANNUAL GENERAL MEETING

The 2017 AGM was held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Thursday, 29 June 2017 at 10:30 am.

A total of nine Directors out of a total of 12 Directors attended the 2017 AGM. Three Directors were not able to attend due to other commitments. The total number of shares entitling the holders to attend and vote on all of the resolutions at the AGM was 318,088,965 shares, representing approximately 72.6% of the total number of shares of the Company.

The matters resolved at the 2017 AGM were as follows:

- Adoption of the Audited Financial Statements and the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2016;
- Election of the retiring Director, Mr. Li Ruigang;
- Re-election of the retiring Director, Dr. Charles Chan Kwok Keung;
- Approval of the Vice Chairman's fee;
- Approval of an increase in the Director's fee;
- Re-appointment of PricewaterhouseCoopers as the auditor of the Company and authorization to the Directors to fix its remuneration;
- Grant of a general mandate to Directors to issue additional shares;
- Extension of the book close period from 30 days to 60 days;
- Adoption of the Share Option Scheme of the Company and authorisation to Directors to grant options and allocation and issuance of shares of the Company thereunder; execution of such documents and taking such actions to give effect to the scheme; and
- Adoption of the Share Option Scheme of TVB Pay Vision Holdings Limited (now renamed to Big Big Channel Holdings Limited) and authorisation to Directors and the directors of TVB Pay Vision Holdings Limited to grant options and allocation and issuance of shares of the Company thereunder; execution of such documents and taking such actions to give effect to the scheme.

All resolutions at the 2017 AGM were carried, and the voting results are available on the Corporate's Website.

2018 ANNUAL GENERAL MEETING

The 2018 AGM has been scheduled to take place at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 23 May 2018.

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, 21 March 2018

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

	2017 HK$'mil	2016 HK$'mil	2015 HK$'mil	2014 HK$'mil (Restated) Note	2013 HK$'mil
Revenue	**4,336**	4,210	4,455	4,912	5,686
Profit before income tax	**358**	553	126	1,482	2,120
Income tax expense	**94**	105	144	221	358
Profit attributable to equity holders of the Company	**244**	500	1,331	1,410	1,738
Earnings per share	**HK$0.56**	HK$1.14	HK$3.04	HK$3.22	HK$3.97
Non-current					
Property, plant and equipment	**1,875**	1,797	1,687	3,068	3,105
Investment properties	**31**	101	684	10	13
Land use rights	**54**	55	60	66	70
Intangible assets	**86**	59	27	116	172
Interests in joint ventures	**769**	20	30	45	13
Interests in associates	**169**	160	–	531	600
Available-for-sale financial assets	**47**	47	47	–	–
Held-to-maturity financial assets	**712**	524	–	–	–
Loan and receivables	–	–	143	–	–
Other non-current assets	**120**	122	93	64	28
Current assets	**8,153**	9,471	6,342	6,657	6,300
Current liabilities	**(887)**	(937)	(720)	(1,343)	(1,642)
	11,129	11,419	8,393	9,214	8,659
Share capital	**664**	664	664	664	22
Reserves	**6,331**	6,401	7,016	7,861	8,293
Shareholders' funds	**6,995**	7,065	7,680	8,525	8,315
Non-controlling interests	**162**	165	156	179	112
Non-current liabilities	**3,972**	4,189	557	510	232
	11,129	11,419	8,393	9,214	8,659

Note:

The financial results for Liann Yee Group were presented as discontinued operations and comparative figures for 2014 have been restated accordingly. The financial results prior to 2014 have not been restated.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 186, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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.

BASIS FOR OPINION

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 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.

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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.

Key audit matter identified in our audit is the amortisation and impairment of 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 23 of the consolidated financial statements* The programme costs and film rights recognised as an expense for the year ended 31 December 2017 was HK$1,748 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 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 reasonable 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. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND 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 are responsible for overseeing the Group's financial reporting process.

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.

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka Keung, Johnny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,874,535**	1,797,307
Investment properties	7	**31,106**	100,972
Land use rights	8	**54,301**	54,550
Intangible assets	9	**85,587**	59,303
Interests in joint ventures	10	**769,138**	20,193
Interests in associates	11	**169,486**	159,923
Available-for-sale financial assets	12	**47,436**	47,436
Held-to-maturity financial assets	13	**711,829**	523,509
Deferred income tax assets	21	**26,488**	36,633
Prepayments	15	**93,429**	86,354
Total non-current assets		**3,863,335**	2,886,180
Current assets			
Programmes and film rights		**874,448**	744,585
Stocks	14	**40,774**	19,826
Trade and other receivables, prepayments and deposits	15	**1,901,981**	1,671,320
Interests in joint ventures	10	**27,068**	–
Tax recoverable		**3,597**	55,451
Held-to-maturity financial assets	13	**62,737**	775,400
Restricted cash	16	**4,306,886**	6,113
Bank deposits maturing after three months	16	**61,227**	676,993
Cash and cash equivalents	16	**831,301**	5,520,962
Non-current asset held for sale	29(a)	**42,555**	–
Total current assets		**8,152,574**	9,470,650
Total assets		**12,015,909**	12,356,830
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	**664,044**	664,044
Other reserves	18	**148,277**	3,053
Retained earnings		**6,182,512**	6,397,589
		6,994,833	7,064,686
Non-controlling interests		**162,214**	165,405
Total equity		**7,157,047**	7,230,091
LIABILITIES			
Non-current liabilities			
Borrowings	20	**3,814,406**	3,842,493
Deferred income tax liabilities	21	**157,248**	346,819
Total non-current liabilities		**3,971,654**	4,189,312

	Note	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade and other payables and accruals	19	**871,667**	920,679
Current income tax liabilities		**15,541**	16,748
Total current liabilities		**887,208**	937,427
Total liabilities		**4,858,862**	5,126,739
Total equity and liabilities		**12,015,909**	12,356,830

The consolidated financial statements on pages 110 to 186 were approved by the Board of Directors on 21 March 2018 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 117 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	5	**4,335,731**	4,210,308
Cost of sales		**(2,319,299)**	(2,299,537)
Gross profit		**2,016,432**	1,910,771
Other revenues	5	**142,014**	68,924
Selling, distribution and transmission costs		**(723,704)**	(639,031)
General and administrative expenses		**(900,233)**	(949,486)
Other gains/(losses), net	26	**19,138**	(125,995)
Gain on disposal of investment properties	29(a), 7	**18,483**	279,836
Professional fees incurred for the aborted share buy-back offer		**(28,730)**	–
Operating profit		**543,400**	545,019
Finance costs	27	**(152,379)**	(33,814)
Share of losses of joint ventures		**(31,517)**	(1,791)
Share of losses of associates		**(1,589)**	(4,126)
Impairment loss on amounts due from an associate		**–**	(22,986)
Write-back of impairment loss on amounts due from an associate arising from business combination	36	**–**	70,636
Profit before income tax	23	**357,915**	552,938
Income tax expense	28	**(94,365)**	(105,239)
Profit for the year from continuing operations		**263,550**	447,699
Discontinued operations			
Gain on disposal of discontinued operations	29(b)	**–**	78,028
Deferred tax in relation to gain from disposal		**–**	(7,076)
		–	70,952
Profit for the year		**263,550**	518,651

	Note	**2017** **HK$'000**	2016 HK$'000
Profit attributable to:			
Equity holders of the Company			
– Continuing operations		**243,621**	428,993
– Discontinued operations		**–**	70,952
		243,621	499,945
Non-controlling interests			
– Continuing operations		**19,929**	18,706
		263,550	518,651
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year			
– Continuing operations	30	**HK$0.56**	HK$0.98
– Discontinued operations	30	**–**	HK$0.16
		HK$0.56	HK$1.14

The notes on pages 117 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**263,550**	518,651
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**86,667**	21,647
– Joint ventures	**(1,307)**	1,060
Share of other comprehensive income of an associate	**11,152**	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture	**–**	1,311
Other comprehensive income for the year, net of tax	**96,512**	14,067
Total comprehensive income for the year	**360,062**	532,718
Total comprehensive income attributable to:		
Equity holders of the Company		
– Continuing operations	**328,088**	450,793
– Discontinued operations	**–**	72,263
	328,088	523,056
Non-controlling interests		
– Continuing operations	**31,974**	9,662
Total comprehensive income for the year	**360,062**	532,718

The notes on pages 117 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 1 January 2016		664,044	(22,905)	7,039,291	7,680,430	155,743	7,836,173
Comprehensive income:							
Profit for the year		–	–	499,945	499,945	18,706	518,651
Other comprehensive income:							
Currency translation differences							
– Group		–	30,691	–	30,691	(9,044)	21,647
– Joint ventures		–	1,060	–	1,060	–	1,060
Share of other comprehensive income of an associate		–	(9,951)	–	(9,951)	–	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture		–	1,311	–	1,311	–	1,311
Total comprehensive income, net of tax		–	23,111	499,945	523,056	9,662	532,718
Transactions with owners:							
Transferred to legal reserve	18	–	2,847	(2,847)	–	–	–
2015 final dividend paid		–	–	(876,000)	(876,000)	–	(876,000)
2016 interim dividend paid		–	–	(262,800)	(262,800)	–	(262,800)
Total transactions with owners		–	2,847	(1,141,647)	(1,138,800)	–	(1,138,800)
Balance at 31 December 2016		664,044	3,053	6,397,589	7,064,686	165,405	7,230,091
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 differences							
– 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	18	–	64,498	(64,498)	–	–	–
2017 first interim dividend paid		–	–	(262,800)	(262,800)	–	(262,800)
2017 second interim dividend 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	37	–	(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**

The notes on pages 117 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	304,368	964,442
Interest paid		–	(1,033)
Hong Kong tax paid		(49,338)	(87,107)
Hong Kong tax refunded		45,723	–
Overseas tax paid		(218,764)	(53,323)
Net cash generated from operating activities		81,989	822,979
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		(451,753)	(458,148)
Purchases of intangible assets		(31,392)	(32,442)
Purchases of bond securities		(289,178)	(520,192)
Purchases of certificates of deposit		–	(775,400)
Redemption of bond securities		33,149	–
Redemption of certificates of deposit		775,400	–
Investment in an associate		–	(174,000)
Investment in a joint venture		(266,810)	–
Loan to a joint venture		(520,383)	–
Net cash inflow from acquisition of a subsidiary	36	–	42,667
Fund advanced repaid by a joint venture		7,700	4,400
Loan repayment received from joint ventures		–	2,917
Loan repayment received from a former joint venture		–	144,092
Decrease in bank deposits maturing after three months		615,766	14,940
Net cash inflow from disposal of a joint venture		–	1,020,503
Expenses incurred on disposal of a joint venture		–	(55,933)
Net proceeds from disposal of investment properties		39,783	875,987
Proceeds from disposal of property, plant and equipment		2,737	2,101
Interest received		98,947	41,232
Net cash generated from investing activities		13,966	132,724
Cash flows from financing activities			
Proceeds from issuance of notes, net of notes issuance costs		–	3,842,120
Purchase of notes	20	(65,872)	–
Interest paid		(145,430)	–
Acquisition of additional interest in subsidiaries		(38,906)	–
Repayments of bank loans		–	(237,967)
(Increase)/decrease in restricted cash		(4,300,773)	212
Dividends paid to equity holders of the Company		(394,200)	(1,138,800)
Net cash (used in)/generated from financing activities		(4,945,181)	2,465,565
Net (decrease)/increase in cash and cash equivalents		(4,849,226)	3,421,268
Cash and cash equivalents at 1 January		5,520,962	2,125,975
Effect of foreign exchange rate changes		159,565	(26,281)
Cash and cash equivalents at 31 December		831,301	5,520,962

The notes on pages 117 to 186 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 21 March 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Note 2.11.

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

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

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

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

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

2.1 Basis of preparation (continued)

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

The following relevant new/revised standards have been published and are mandatory for the first time for the Group's accounting period beginning on or after 1 January 2018 or later periods, but the Group has not early adopted them:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 16	Leases
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture

None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

HKFRS 9 'Financial instruments'

Nature of change

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

Date of adoption by Group

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

Impact

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

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

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

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

2.1 Basis of preparation (continued)

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

HKFRS 9 'Financial instruments' (continued)

Impact (continued)

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

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

HKFRS 15 'Revenue from contracts with customers'

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Date of adoption by Group

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

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

2.1 Basis of preparation (continued)

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

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

Impact

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

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

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

HKFRS 16 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Date of adoption by Group

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

Impact

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

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group that do not result in loss of control. For purchases or disposals of interests from non-controlling interests, the difference between any consideration paid/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

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

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

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

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

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

2.2 Consolidation (continued)

(d) Disposal of subsidiaries and associates

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

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equal or exceed its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Investment in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the purposes of allocating resources to each of the segments and assessing its performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of which results in loss of control or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to the consolidated income statement.

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

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture, fixtures and equipment and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for these purposes are as follows:

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

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

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

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

2.6 Investment properties

Investment properties are defined as properties held to earn rentals or for capital appreciation or both. The Group has applied the cost model to its investment property. The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.9). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 25 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the consolidated income statement when the changes arise.

2.7 Land use rights

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the rights.

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

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary, an associate or a joint venture over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately in the consolidated statement of financial position (Note 2.2(a)). Goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures, respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately as expenses and are not subsequently reversed. The determination of gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

(b) Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 10 to 15 years.

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

2.9 Impairment of investments in subsidiaries, associates, joint ventures and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines at each reporting date whether there is any objective evidence that these investments and other non-financial assets are impaired. An impairment loss is recognised in the income statement for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

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

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

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

2.11 Financial assets

Classification

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

(a) Loans and receivables

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

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

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

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

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

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

2.11 Financial assets (continued)

Recognition and measurement (continued)

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

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

Derecognition

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

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

2.12 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.13 Programmes, film rights and movies

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

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads.

The cost of programmes is apportioned between the domestic terrestrial TV/over-the-top ("OTT") markets and the overseas licensing and distribution market. In the case of the former, the cost is expensed on first transmission, and in the latter, the cost is expensed on first distribution to licensees.

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

The cost of programmes for satellite channels is expensed in accordance with a formula computed to amortise the cost over a maximum of three transmissions.

(b) Film rights

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

(c) Movies

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

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

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs, OTT set-top boxes and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade and other payables

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

2.19 Borrowings

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

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

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

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

2.20 Current and deferred income tax

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

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

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

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

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

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

2.21 Share-based payments

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

Employee options

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

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

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

2.21 Share-based payments (continued)

Employee options (continued)

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

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

2.22 Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee - administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and who are located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff who joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of the individual's "relevant income" with a maximum amount of HK$1,500 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff who joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,500 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment).

The retirement schemes which cover employees located in overseas locations are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

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

2.23 Provisions

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

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

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

2.24 Financial guarantees

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

2.25 Revenue recognition

Income from advertisers includes advertising income, sponsorship income and commercial production income. Advertising income net of agency deductions is recognised (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a magazine; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms. Sponsorship income is recognised when the programmes are telecast. Commercial production income is recognised when the commercials are delivered to advertisers.

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

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

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

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

2.25 Revenue recognition (continued)

Income from sales of decoders and sales of magazines is recognised on delivery of products. Movie income is recognised when the movie picture is exhibited and the right to receive payment is established. Income from other services, which includes management fee income, facility rental income and other service fee income, is recognised when the services are rendered.

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

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

2.26 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

(c) Finance leases (as lessee)

Leases of land where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased land and the present value of the minimum lease payments.

2.27 Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.27 Related parties (continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

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

2.28 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

	2017		2016	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Increase/ (decrease) in profit after taxation HK$'000**	Changes in foreign exchange rates %	Increase/ (decrease) in profit after taxation HK$'000
Renminbi	**8%**	**15,515**	6%	8,619
	(8%)	**(15,515)**	(6%)	(8,619)
Malaysian Ringgit	**11%**	**4,771**	10%	3,027
	(11%)	**(4,771)**	(10%)	(3,027)

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal floating interest bearing assets are cash balances and bank deposits. The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to selecting terms which are most favourable to the Group.

Sensitivity analysis in 2017 and 2016 has been conducted on bank deposits. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation for the year would have increased/decreased by HK$47,217,000 (2016: HK$54,655,000) in respect of bank deposits.

(b) Credit risk

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

(c) Liquidity risk

The Group employs cash flow forecasting to manage liquidity risk by forecasting the amount of cash required (including working capital, loan repayments, dividend payments and potential new investments) and by maintaining sufficient cash and adequate undrawn banking facilities to ensure our funding requirements are met.

The Group's financial liabilities include trade payables, other payables, accruals and borrowings. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including future interest payments).

	2017		2016	
	Borrowings HK$'000	**Trade and other payables and accruals HK$'000**	Borrowings HK$'000	Trade and other payables and accruals HK$'000
Within 1 year	**139,261**	**588,638**	140,541	699,022
Between 1 and 2 years	**139,261**	**–**	140,541	–
Between 2 and 5 years	**4,120,209**	**–**	4,267,393	–
	4,398,731	**588,638**	4,548,475	699,022

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratios. This ratios are calculated as total debt divided by total equity and net debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Net debt is calculated as total debt less cash and cash equivalents. Total equity as shown in the consolidated statement of financial position is total capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

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

	2017 **HK$'000**	2016 HK$'000
Total debt	**3,814,406**	3,842,493
Net debt/(net cash) (Note 32 (b))	**2,983,105**	(1,678,469)
Total equity	**7,157,047**	7,230,091
Gearing ratios		
– Total debt to total equity ratio	**53.3%**	53.1%
– Net debt to total equity ratio	**41.7%**	N/A

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are analysed by below valuation method. The different methods have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2017 and 2016, the fair value measurement of the Group's available-for-sale financial assets is included in level 3 (Note 12).

There was no transfer between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Trade receivables

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

(b) Useful lives of property, plant and equipment and investment properties

In accordance with HKAS 16 and HKAS 40, the Group estimates the useful lives of property, plant and equipment and investment properties in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(c) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

(d) Programme costs and film rights

The Group allocates and amortises the programme costs and film rights to each of the terrestrial TV platform, digital new media platform and licensing and distribution market based on their potential benefits brought to the Group and the expected consumption pattern. Management regularly reviews the basis of the allocation and amortisation and will adjust the allocation and amortisation method when the expected changes in respective economic benefit, consumption pattern or consumption rate arise. Impairment loss is recognised when there is an indication that the estimated recoverable amount of individual programme is less than its carrying value.

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, co-production income, as well as other income from sales of magazines, management fee income, movie income, facility rental income and other service fee income.

Other revenues comprise mainly interest income.

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

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

Note:

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

The Group Chief Executive Officer is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group Chief Executive Officer for the purposes of allocating resources to the segments and assessing their performance. The Group has determined to separately report "Big Big Channel business" as a reportable segment due to its increasing importance as the third platform and the directors of the Company consider that such information would be useful to users of the consolidated financial statements. As such, the comparative figures have been adjusted to conform with the reclassification.

The Group has following reportable segments:

(a)	Hong Kong TV broadcasting	–	broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas
(b)	Hong Kong digital new media business	–	operation of myTV SUPER OTT service and website portals
(c)	Big Big Channel business	–	Big Big Channel, online social media platform officially launched in July 2017, and music entertainment. The online social media business is undertaken by Big Big Channel Limited, which became a subsidiary in November 2016 and was previously engaged in Hong Kong pay TV business prior to the surrender of the pay TV licence in June 2017
(d)	Programme licensing and distribution	–	distribution of television programmes and channels to telecast, video and new media operators
(e)	Overseas pay TV operations	–	provision of pay television services to subscribers in most part of the world targeting Chinese and other Asian audiences
(f)	Channel operations	–	compilation and distribution of television channels in Mainland China, Malaysia, Singapore and other countries
(g)	Other activities	–	magazine publications, movie, property investment and other services
(h)	Corporate support	–	financing services for the Group

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

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

	Hong Kong TV broadcasting HK$'000	Hong Kong digital new media business HK$'000	Big Big Channel business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Corporate support HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations										
For the year ended 31 December 2017										
Revenue										
External customers	2,817,857	280,295	44,008	875,297	151,257	79,357	87,660	–	–	4,335,731
Inter-segment	52,058	25,649	24,674	106,410	–	5,864	5,654	–	(220,309)	–
Total	2,869,915	305,944	68,682	981,707	151,257	85,221	93,314	–	(220,309)	4,335,731
Reportable segment profit before gain on disposal of investment properties	164,978	(84,875)	(10,915)	493,289	(52,960)	10,934	33,196	(152,379)	–	401,268
Gain on disposal of investment properties	–	–	–	–	–	–	18,483	–	–	18,483
Reportable segment profit	164,978	(84,875)	(10,915)	493,289	(52,960)	10,934	51,679	(152,379)	–	419,751
Interest income	81,775	75	414	4,729	166	–	30,751	–	–	117,910
Finance costs	–	–	–	–	–	–	–	(152,379)	–	(152,379)
Depreciation and amortisation	(286,732)	(72,006)	(6,662)	(11,130)	(5,506)	(892)	(5,045)	–	–	(387,973)
Additions to non-current assets*	269,973	161,201	23,373	13,666	13,643	540	749	–	–	483,145
For the year ended 31 December 2016 (restated)										
Revenue										
External customers	2,661,486	224,250	27,169	899,179	168,807	84,423	144,994	–	–	4,210,308
Inter-segment	45,713	5,267	8,174	119,997	–	5,938	10,963	–	(196,052)	–
Total	2,707,199	229,517	35,343	1,019,176	168,807	90,361	155,957	–	(196,052)	4,210,308
Reportable segment profit before the following items	(71,080)	(29,301)	583	443,857	(40,237)	2,264	27,138	(32,855)	1,000	301,369
Gain on disposal of investment properties	–	–	–	–	–	–	279,836	–	–	279,836
Impairment loss on amounts due from an associate	(22,986)	–	–	–	–	–	–	–	–	(22,986)
Settlement loss (Note 36)	(70,000)	–	–	–	–	–	–	–	–	(70,000)
Write-back of impairment loss on amounts due from an associate arising from business combination (Note 36)	70,636	–	–	–	–	–	–	–	–	70,636
Reportable segment profit	(93,430)	(29,301)	583	443,857	(40,237)	2,264	306,974	(32,855)	1,000	558,855
Interest income	40,317	155	115	4,819	63	–	4,791	–	–	50,260
Finance costs	–	–	–	–	–	–	(959)	(32,855)	–	(33,814)
Depreciation and amortisation	(266,153)	(35,607)	(8,247)	(8,164)	(4,011)	(820)	(15,191)	–	–	(338,193)
Additions to non-current assets*	221,637	226,774	121	25,897	7,711	84	1,469	–	–	483,693

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

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

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

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

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

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

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

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2016	1,161,529	34,793	2,306,892	943,471	49,676	4,496,361
Exchange differences	(615)	(140)	(43)	(252)	(7)	(1,057)
Acquisition of subsidiaries (Note 36)	22,928	10,512	338,074	26,127	444	398,085
Additions	–	10,226	193,687	216,815	5,942	426,670
Disposals	–	(459)	(81,447)	(5,593)	(4,452)	(91,951)
At 31 December 2016	1,183,842	54,932	2,757,163	1,180,568	51,603	5,228,108
At 1 January 2017	1,183,842	54,932	2,757,163	1,180,568	51,603	5,228,108
Exchange differences	2,434	550	1,659	863	64	5,570
Additions	36	4,610	197,758	241,501	586	444,491
Disposals	–	–	(273,239)	(43,740)	(3,162)	(320,141)
Transferred from investment properties (Note 7)	16,293	–	–	–	–	16,293
At 31 December 2017	**1,202,605**	**60,092**	**2,683,341**	**1,379,192**	**49,091**	**5,374,321**
Accumulated depreciation and impairment						
At 1 January 2016	539,139	31,308	1,625,546	579,658	33,346	2,808,997
Exchange differences	(162)	(99)	(92)	(166)	(7)	(526)
Acquisition of subsidiaries (Note 36)	19,423	10,324	333,801	21,685	444	385,677
Charge for the year	46,109	3,758	188,039	81,232	6,875	326,013
Written back on disposals	–	(375)	(79,240)	(5,293)	(4,452)	(89,360)
At 31 December 2016	604,509	44,916	2,068,054	677,116	36,206	3,430,801
At 1 January 2017	604,509	44,916	2,068,054	677,116	36,206	3,430,801
Exchange differences	593	493	1,516	724	64	3,390
Charge for the year (Note 23)	42,776	5,752	198,418	125,597	6,425	378,968
Written back on disposals	–	–	(270,620)	(42,830)	(3,162)	(316,612)
Transferred from investment properties (Note 7)	3,239	–	–	–	–	3,239
At 31 December 2017	**651,117**	**51,161**	**1,997,368**	**760,607**	**39,533**	**3,499,786**
Net book value						
At 31 December 2017	**551,488**	**8,931**	**685,973**	**618,585**	**9,558**	**1,874,535**
At 31 December 2016	579,333	10,016	689,109	503,452	15,397	1,797,307

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

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

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

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

7 INVESTMENT PROPERTIES

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

Notes:

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

7 INVESTMENT PROPERTIES (continued)

Notes:

(b) The Group's investment properties were valued at 31 December 2017 and 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuations were determined using the direct comparison approach with reference to the comparable properties in close proximity and investment approach with reference to current market rental, where appropriate. The most significant inputs into these valuation approaches are unit price and unit rent per square foot or square metre. The current use of investment properties equates to the highest and best use. As at 31 December 2017 and 2016, the fair value measurement of the investment properties is included in level 3.

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

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

9 INTANGIBLE ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (continued)

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

10 INTERESTS IN JOINT VENTURES

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

10 INTERESTS IN JOINT VENTURES (continued)

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

Notes:

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

(b) The Group has advanced in aggregate HK$11,150,000 (2016: HK$10,359,000) to上海翡翠珍宝文化传媒有限公司 ("上海翡翠珍宝") for daily operations and HK$31,281,000 (2016: HK$38,981,000) to Concept Legend Limited ("Concept Legend") for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment. Management considered that the Group's share of losses in excess of investment costs of HK$28,568,000 (2016: HK$29,147,000) against the loan and funds advanced to the joint ventures is adequate. The carrying value of interests in 上海翡翠珍宝 has been fully impaired as at 31 December 2017 and 2016.

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

10 INTERESTS IN JOINT VENTURES (continued)

Details of the joint ventures are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK$1 each	50%
#上海翡翠珍宝文化传媒有限公司	The People's Republic of China	Provision of advertising and management services	Registered capital of RMB10,000,000	50.1%
#Imagine Tiger Television, LLC	United States	Provision of finance for the development and production of television programmes	Class A units of US$33,333,333	§100%

\# Joint ventures held indirectly by the Company

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

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

There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

The joint ventures are strategic for the Group's investments in the Hong Kong movie market and the United States TV market.

10 INTERESTS IN JOINT VENTURES (continued)

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

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

* excluding fund advanced, loan and interest receivable

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

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

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

The financial position and result of 上海翡翠珍宝 is not presented in 2017 and 2016 as this joint venture ceased business in 2016. The carrying value of interests in this joint venture has been fully impaired as at 31 December 2017 and 2016.

11 INTERESTS IN ASSOCIATES

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

Note:

In 2016, the Group has invested HK$174,000,000 in an associate holding an investment in Shaw Brothers Holdings Limited, a Hong Kong listed company engaging in, inter-alia, movie and entertainment related businesses.

11 INTERESTS IN ASSOCIATES (continued)

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

Details of the material associate are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
#Shine Investment Limited	Cayman Islands	Investment holding	Voting Class A Shares of US$1 each	§15%
			Non-voting Class B Shares of US$1 each	§100%

\# an associate held directly by the Company

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

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

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

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

11 INTERESTS IN ASSOCIATES (continued)

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

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

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2017 HK$'000	For the year ended 31 December 2016 HK$'000
Revenue	–	–
Share of loss of associate	**(3,972)**	(10,315)
Post-tax loss for the year	**(3,972)**	(10,315)
Other comprehensive income	**27,880**	(24,878)
Total comprehensive income	**23,908**	(35,193)
Dividends received from associate	–	–

The Group does not recognise further losses and total comprehensive income for its other immaterial associate for the years ended 31 December 2017 and 2016 because the Group's share of losses in this immaterial associate has accumulated up to its interest in the associate.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
At 1 January and 31 December	**47,436**	47,436

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

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

This available-for-sale financial asset is denominated in US dollars and its carrying value approximates its fair value and are included in level 3 fair value hierarchy. The maximum exposure to credit risk is the carrying value of the available-for-sale financial assets. None of these financial assets is either past due or impaired.

13 HELD-TO-MATURITY FINANCIAL ASSETS

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

The bond securities carry a weighted average yield to maturity of 6.03% (31 December 2016: 4.79%) per annum and the maturity dates are ranging from 18 January 2018 to 19 February 2027. They are denominated in Hong Kong dollars and US dollars.

The certificates of deposit were fully redeemed during the year.

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

14 STOCKS

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

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Note:

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

At 31 December 2017, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

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

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

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

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

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

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

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

As at 31 December 2017, trade receivables which were impaired were aged as follows:

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

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

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

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

* The amount in 2016 represented provision made for trade receivables due from Big Big Channel Limited (formerly known as TVB Network Vision Limited). Following the further acquisition of Big Big Channel Holdings Limited (formerly known as TVB Pay Vision Holdings Limited, the holding company of TVB Network Vision Limited), Big Big Channel Holdings Limited became a subsidiary of the Group and the provision for impairment was eliminated upon consolidation.

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

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

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

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

Note:

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

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

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

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

17 SHARE CAPITAL

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

18 OTHER RESERVES

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2016	70,000	–	36,666	(129,571)	(22,905)
Transferred from retained earnings	–	–	2,847	–	2,847
Currency translation differences:					
– Group	–	–	–	30,691	30,691
– Joint ventures	–	–	–	1,060	1,060
Share of other comprehensive income of an associate	–	–	–	(9,951)	(9,951)
Reclassification adjustment to profit or loss on disposal of a joint venture	–	–	–	1,311	1,311
Balance at 31 December 2016	70,000	–	39,513	(106,460)	3,053
Balance at 1 January 2017	70,000	–	39,513	(106,460)	3,053
Transferred from retained earnings	–	–	64,498	–	64,498
Currency translation differences:					
– Group	–	–	–	74,622	74,622
– Joint ventures	–	–	–	(1,307)	(1,307)
Share of other comprehensive income of an associate	–	–	–	11,152	11,152
Change in ownership interests in subsidiaries without change of control (Note 37)	–	(3,741)	–	–	(3,741)
Balance at 31 December 2017	**70,000**	**(3,741)**	**104,011**	**(21,993)**	**148,277**

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

Capital reserve – the capital reserve comprise the excess of consideration paid to non-controlling interests for acquisition of additional interest in subsidiaries as set out in Note 37; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

18 OTHER RESERVES (continued)

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

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

19 TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

19 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

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

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

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

20 BORROWINGS

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

At 31 December 2017, borrowings were repayable as follows:

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

Note:

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

21 DEFERRED INCOME TAX

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

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

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

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

Note:

The amount recognised in 2016 included deferred income tax expenses of HK$7,076,000 recorded under discontinued operations.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2017, the Group has unrecognised tax losses of HK$2,657,781,000 (2016: HK$2,556,581,000) to be carried forward against future taxable income. These tax losses will expire as follows:

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

21 DEFERRED INCOME TAX (continued)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	131,089	200,782	331,871
Recognised in the income statement	29,934	42,632	72,566
Exchange differences	(8)	–	(8)
At 31 December 2016	161,015	243,414	404,429
Recognised in the income statement	10,064	(204,383)	(194,319)
Exchange differences	(91)	33	(58)
At 31 December 2017	**170,988**	**39,064**	**210,052**

Deferred income tax assets

	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	10,926	36,468	47,394
Recognised in the income statement	52,114	(4,801)	47,313
Exchange differences	–	(464)	(464)
At 31 December 2016	63,040	31,203	94,243
Recognised in the income statement	(777)	(14,881)	(15,658)
Exchange differences	6	701	707
At 31 December 2017	**62,269**	**17,023**	**79,292**

22 RETIREMENT BENEFIT OBLIGATIONS

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

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

23 PROFIT BEFORE INCOME TAX

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

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

24 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

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

	2016				
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit (note (iv)) HK$'000	Discretionary bonuses (note (v)) HK$'000	Pension contributions HK$'000	Total HK$'000
Charles Chan Kwok Keung	756	–	–	–	756
Li Ruigang	98	–	–	–	98
Mark Lee Po On (note (i))	220	6,143	2,700	596	9,659
Cheong Shin Keong	220	4,850	1,606	485	7,161
Mona Fong	220	–	–	–	220
Anthony Lee Hsien Pin	395	–	–	–	395
Chen Wen Chi	370	–	–	–	370
Thomas Hui To	370	–	–	–	370
Raymond Or Ching Fai	550	–	–	–	550
William Lo Wing Yan	555	–	–	–	555
Caroline Wang Chia-Ling	365	–	–	–	365
Allan Zeman	262	–	–	–	262
Jonathan Milton Nelson (note (iii))	95	–	–	–	95
	4,476	10,993	4,306	1,081	20,856

Notes:

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

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

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

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

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

24 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Save for contracts amongst group companies, no other significant transactions, arrangements and contracts to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

25 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

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

(b) Five highest paid individuals

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

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

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

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

25 EMPLOYEE BENEFIT EXPENSE (continued)

(c) Senior management's emoluments

Details of emoluments (excluding directors' fees, if any) paid to members of senior management fell within the following bands:

Emolument bands	*Number of individuals in each band 2017	2016
HK$1,000,001 – HK$1,500,000	–	1#
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	–	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	–	1
HK$7,000,001 – HK$7,500,000	**1**	–
HK$9,000,001 – HK$9,500,000	–	1
HK$9,500,001 – HK$10,000,000	**1**	–
	5	6

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

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

26 OTHER GAINS/(LOSSES), NET

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

27 FINANCE COSTS

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

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

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

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

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

29 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Non-current asset held for sale

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

(b) Discontinued operations

On 10 March 2016, upon the completion of disposal of the remaining 47% equity interest in Liann Yee Production Co., Ltd and its subsidiaries ("Liann Yee Group"), a disposal gain of HK$78,028,000 was recorded based on the consideration received of HK$1,020,503,000 less the carrying value of Liann Yee Group and transaction costs related to the disposal.

30 EARNINGS PER SHARE

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

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

31 DIVIDENDS

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

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

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

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

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

(b) Net debt reconciliation

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

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

(b) Net debt reconciliation (continued)

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

33 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

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

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

34 COMMITMENTS

(a) Capital commitments

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

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

34 COMMITMENTS (continued)

(b) Contractual programme rights and programme contents commitments

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

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

(c) Operating lease commitments as lessee

The amounts of future aggregate minimum lease payments under non-cancellable operating leases which fall due are as follows:

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

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under non-cancellable operating lease agreements.

The lease expenditure expensed in the consolidated income statement during the year is disclosed in Note 23.

(d) Operating lease commitments as lessor

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

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

35 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

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

36 BUSINESS COMBINATIONS

On 9 November 2016, the Group acquired further equity interest of TVB Pay Vision Holdings Limited ("TVBPVH", now known as Big Big Channel Holdings Limited) for HK$70,000,000 and obtained the control of it. The reason for the purchase was to enable the Group to use this vehicle as a subsidiary to further its new business.

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

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

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

Note:

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

36 BUSINESS COMBINATIONS (continued)

	2016 HK$'000
Net liabilities acquired	
Property, plant and equipment	12,408
Trade and other receivables, prepayments and deposits	30,521
Restricted cash	4,500
Bank deposits maturing after three months	546
Cash and cash equivalents	112,667
Trade and other payables and accruals	(93,008)
Loan and interest receivables due to the Group	(745,591)
Amounts due to the Group	(633,529)
Amounts due from the Group	3,002
Fair value of net liabilities acquired	(1,308,484)
Analysis of net cash flow on acquisition:	
Cash and cash equivalents acquired	112,667
Cash consideration paid	(70,000)
Net cash inflow from acquisition	42,667

The revenue included in the consolidated income statement since 9 November 2016 contributed by TVBPVH group was HK$11,644,000. TVBPVH group also attributed loss of HK$6,584,000 over the same period.

Had TVBPVH group been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of HK$4,284,703,000 and pro-forma profit of HK$362,005,000 for 2016.

37 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

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

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

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

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The fees were received from/(paid to) Liann Yee Production Co., Ltd. ("Liann Yee"). Liann Yee ceased to be a joint venture of the Group upon the completion of the disposal on the remaining 47% equity interest on 10 March 2016.

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

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

(iv) The fees were received from Shaw Brothers Pictures International Limited ("Shaw Brothers Pictures International"), an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.

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

(vi) The fees were paid to Tailor Made Production Limited, an affiliated company of Shaw Brothers Holdings Limited. Shaw Brothers Holdings Limited is an associate of Shine Investment Limited, which is an associate of the Group.

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

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

In 2016, the Company supplied channel contents to TVB Network Vision Limited (an associate of the Company which has become a subsidiary since 9 November 2016) in exchange of the advertising revenue attributable to the relevant channels.

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

(b) Key management compensation

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

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

Note:

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

(d) Fund advanced/loan to related parties

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

39 EVENT SUBSEQUENT TO THE YEAR END

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

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

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of financial position of the Company (continued)

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

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

Charles Chan Kwok Keung
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
At 1 January 2016 and 31 December 2016 and 1 January 2017 and 31 December 2017	**70,000**

42 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Long Wisdom Limited	2	HK$2	100	100	Properties holding
Shaw Brothers Pictures Limited	20	HK$20	100	100	Production of motion pictures for theatrical release and distribution and artiste management
TVBI Company Limited	200,000	HK$2,000,000	100	100	Programme licensing
Art Limited	10,000	HK$10,000	100	–	Film licensing and distribution
MyTV Super Limited (formerly known as TVB.COM Limited)	2	HK$2	100	–	Hong Kong digital new media business
TVB Anywhere Limited	10,000	HK$10,000	100	–	Provision of subscription television programmes in overseas markets
TVB (Europe) Limited	50,000	HK$500,000	100	–	Provision of subscription television programmes

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in Hong Kong (continued)

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB Facilities Limited	10,000	HK$10,000	100	–	Provision of services for programme productions
TVB Publications Limited	20,000,000	HK$20,000,000	100	–	Magazine publications
TVB Publishing Holding Limited	90,000,000	HK$199,710,000 (note (c))	100	–	Investment holding
TVB Satellite Broadcasting Limited	2	HK$2	100	–	Provision of programming and channel services
TVB Satellite TV (HK) Limited	2	HK$2	100	–	Provision of pay television programmes
Big Big Channel Holdings Limited (formerly known as TVB Pay Vision Holdings Limited)	Ordinary shares: 2	HK$2	–*	–	Investment holding
	Non-voting preferred shares: 1,085,867,757	HK$1,085,867,757	100*	–	
Big Big Channel Limited (formerly known as TVB Network Vision Limited)	2	HK$2	99.99	–	Big Big Channel business
The Voice Entertainment Group Limited	1	HK$1	99.99	–	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	99.99	–	Publishing and licensing of musical works

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

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB Finance Limited (note (b))	Cayman Island	1	HK$1	100	100	Corporate finance services
TVB Investment Limited	Bermuda	20,000	US$20,000	100	100	Investment holding
TVB Satellite TV Holdings Limited (note (b))	Bermuda	12,000	US$12,000	100	100	Investment holding
TVBO Production Limited	Bermuda	12,000	US$12,000	100	100	Owner of film rights and programme licensing
广东采星坊演艺咨询服务有限公司 (note (a))	The People's Republic of China	Not applicable	RMB10,000,000	100	100	Provision of consultancy, management and agency services to artistes
上海翡翠东方传播有限公司 (note (a))	The People's Republic of China	Not applicable	RMB200,000,000	55	55	Provision of agency services on advertisements, television programmes, film rights and management services
Big Big Channel Media Limited (formerly known as 聯意投資股份有限公司)	Taiwan	75,000,000	NT$750,000,000	100	–	Investment holding and provision of subscription television programmes
Condor Entertainment B.V. (note (b))	The Netherlands	400	EUR18,400	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
Liann Yee Asset Co., Ltd.	Taiwan	74,760,700	NT$747,607,000	100	–	Property investment
TVB (Australia) Pty. Ltd.	Australia	5,500,000	A$5,500,000	100	–	Provision of satellite and subscription television programmes

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories (continued)

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution
TVB Macau Company Limited	Macau	Not applicable	MOP25,000	100	–	Provision of services for programme productions
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	55	–	Programme licensing
TVB Satellite Platform, Inc. (note (a))	USA	300,000	US$3,000,000	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	12,000	US$12,000	100	–	Provision of satellite and subscription television programmes
TVB (USA) Inc. (note (a))	USA	1,000	US$10,000	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited	United Kingdom	1,000	GBP1,000	100	–	Programme licensing
TVBO Facilities Limited	Bermuda	12,000	US$12,000	100	–	Provision of services for programme productions

Notes:

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

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

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

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

(c) 4,500,000 ordinary shares amounting to HK$38,700,000 remained unpaid as at 31 December 2017.

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

(e) All principal subsidiaries are limited liability companies.

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ANNIVERSARY

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