

TVB 2014

Annual Report

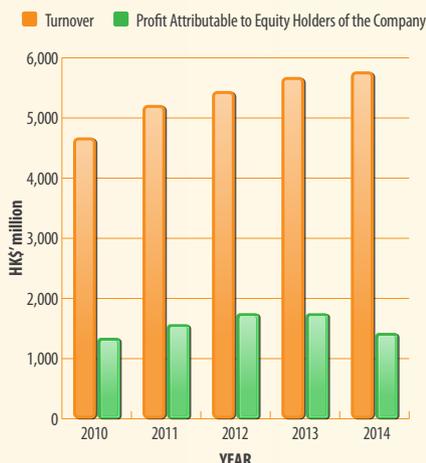


Television Broadcasts Limited
電視廣播有限公司

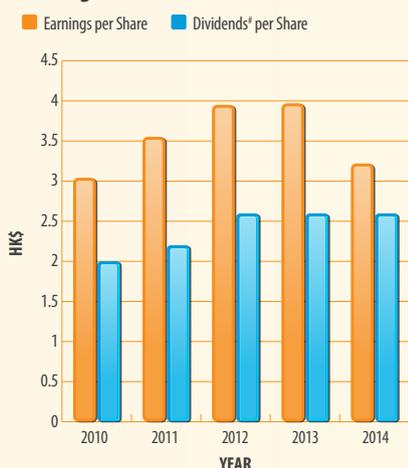
Stock Code : 00511

FINANCIAL HIGHLIGHTS

Turnover & Profit Attributable to Equity Holders of the Company



Earnings & Dividends# Per Share



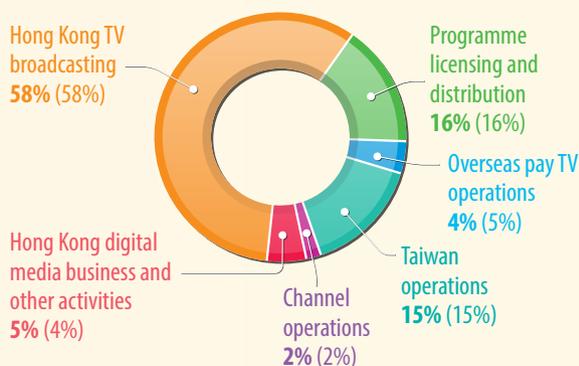
excluding special dividend

Performance

| | 2014 | 2013 | Change |
|---|-------------------------|------------------|--------|
| Earnings per share | HK\$3.22 | HK\$3.97 | -19% |
| Dividends per share | | | |
| - Interim | HK\$0.60 | HK\$0.60 | - |
| - Final | HK\$2.00 | HK\$2.00 | - |
| | HK\$2.60 | HK\$2.60 | - |
| Special dividend per share | HK\$2.30 | - | |
| | HK\$'mil | HK\$'mil | |
| Turnover | | | |
| - Hong Kong TV broadcasting | 3,421 | 3,322 | 3% |
| - Programme licensing and distribution | 1,085 | 1,072 | 1% |
| - Overseas pay TV operations | 243 | 308 | -21% |
| - Taiwan operations | 866 | 834 | 4% |
| - Channel operations | 125 | 132 | -5% |
| - Hong Kong digital media business and other activities | 270 | 222 | 22% |
| - Inter-segment elimination | (237) | (204) | 16% |
| | 5,773 | 5,686 | 2% |
| Total expenses | 3,949 | 3,583 | 10% |
| Share of results of associates | (72) | (53) | 37% |
| Profit attributable to equity holders | 1,410 | 1,738 | -19% |
| | 31 December 2014 | 31 December 2013 | |
| | HK\$'mil | HK\$'mil | |
| Total assets | 10,557 | 10,301 | 2% |
| Total liabilities | 1,853 | 1,874 | -1% |
| Total equity | 8,704 | 8,427 | 3% |
| Number of issued shares | 438,000,000 | 438,000,000 | - |
| Ratios | | | |
| Current ratio | 5.0 | 3.8 | |
| Gearing | 4.5% | 3.0% | |

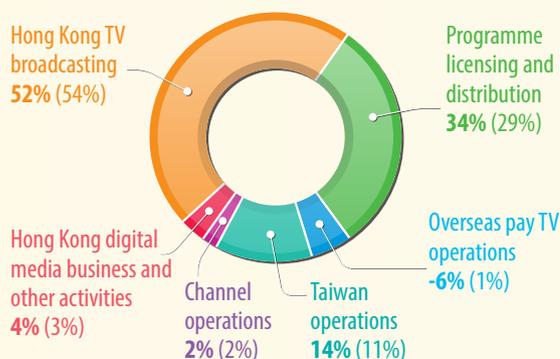
2014 Turnover by Operating Segment

% relating to 2013 are shown in brackets



2014 Reportable Segment Profit* by Operating Segment

% relating to 2013 are shown in brackets



* excluding impairment loss on loan to and trade receivables from an associate

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CORPORATE INFORMATION

CHAIRMAN

Dr. Charles CHAN Kwok Keung
(appointed as Chairman on 1 January 2015)

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mark LEE Po On Group Chief Executive Officer
CHEONG Shin Keong General Manager
(appointed as Executive Director on 1 January 2015)

NON-EXECUTIVE DIRECTORS

Dr. Charles CHAN Kwok Keung
Mona FONG
Cher WANG Hsiueh Hong
Jonathan Milton NELSON
Anthony LEE Hsien Pin
CHEN Wen Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Raymond OR Ching Fai SBS, JP
Dr. William LO Wing Yan JP
(appointed on 11 February 2015)

ALTERNATE DIRECTORS

Dr. Allan YAP
Alternate Director to Dr. Charles Chan Kwok Keung
Harvey CHANG Hsiao Wei
Alternate Director to Cher Wang Hsiueh Hong
Jessica Huang POULEUR
(appointed on 14 July 2014)
Alternate Director to Jonathan Milton Nelson

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Charles CHAN Kwok Keung Chairman
(appointed as chairman on 1 January 2015)
Mark LEE Po On
CHEONG Shin Keong
(appointed as member on 1 January 2015)
Mona FONG
CHEN Wen Chi

AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman
(appointed as member and chairman on 11 February 2015)
Anthony LEE Hsien Pin
(appointed as member on 15 May 2014)
Dr. Raymond OR Ching Fai
(appointed as member on 15 May 2014)

REMUNERATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman
(appointed as chairman on 15 May 2014)
Dr. Charles CHAN Kwok Keung
(appointed as member on 11 February 2015)
Dr. William LO Wing Yan
(appointed as member on 11 February 2015)

NOMINATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman
(appointed as chairman on 1 March 2015)
Anthony LEE Hsien Pin
Dr. William LO Wing Yan
(appointed as member on 11 February 2015)

SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer
(re-titled from Group General Manager on 1 January 2015)
CHEONG Shin Keong General Manager
Peter AU Wai Lam Assistant General Manager
Desmond CHAN Shu Hung Assistant General Manager
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

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

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited

SHARE REGISTRARS 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

AMERICAN DEPOSITARY RECEIPTS

BNY Mellon Depository Receipts
P.O. Box 43006
Providence, RI 02940-3006
USA

STOCK CODES

Ordinary Shares
The Stock Exchange of Hong Kong: 00511
Reuters: 0511.HK
Bloomberg: 511 HK
ADR Level 1 Programme TVBCY

INVESTOR RELATIONS

Email: ir@tvb.com.hk
Fax: +852 23581337
Website: www.corporate.tvb.com

CORPORATE CALENDAR

FIRST BOOK CLOSE PERIOD

29 April 2015 to 20 May 2015,
both days inclusive

ANNUAL GENERAL MEETING

20 May 2015

EX-DIVIDEND DATE OF 2014 FINAL DIVIDEND AND SPECIAL DIVIDEND

22 May 2015

SECOND BOOK CLOSE PERIOD

27 May 2015 to 28 May 2015,
both days inclusive

PAYMENT DATE OF 2014 FINAL DIVIDEND AND SPECIAL DIVIDEND*

8 June 2015*

*Subject to Shareholders' approval at 2015 AGM of the Company

CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG

Chairman



It is my honour and privilege to present – for the first time as Chairman of Television Broadcasts Limited (“TVB”, “Group” or “Company”) – its annual report and financial statements for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The Group's turnover increased by HK\$87 million from HK\$5,686 million to HK\$5,773 million. The cost of sales increased HK\$232 million from HK\$2,221 million to HK\$2,453 million mainly due to the high costs of the 2014 FIFA World Cup Brazil™ (“World Cup”). Because of our overall business expansion, overhead expenses were up HK\$135 million from HK\$1,361 million to HK\$1,496 million. As a result, the Group's profit before income tax decreased by HK\$385 million from HK\$2,121 million to HK\$1,736 million. After absorbing the losses from associates and joint ventures, the Group reported a profit attributable to equity holders of HK\$1,410 million (2013: HK\$1,738 million), representing a decrease of 19%; this translated into an earnings per share of HK\$3.22 (2013: HK\$3.97).

On 29 January 2015, the Company had announced a strategic disposal of 53% in the shareholding in Liann Yee Production Co., Ltd. (TVBS) in Taiwan for a total consideration of NT\$4,695 million (approximately HK\$1,149 million) (“Disposal”). This represented an opportunity for the Group to unlock the value of a large portion of our investments in Taiwan for our shareholders, while allowing for the retention of a significant exposure in the Taiwanese market and the holding of a key real estate in Neihu, Taipei. The Disposal would also allow the Group to devote more of its management resources on strengthening its presence in Hong Kong and the PRC, and in developing the new markets. We are currently awaiting for the requisite approvals from regulatory authorities in Taiwan, and anticipate that the final approvals can be granted in the financial year of 2015.

Based on the full-year results, the Directors have recommended a final dividend of HK\$2.00 per share to shareholders. Together with the interim dividend paid of HK\$0.60 per share, this will give a total dividend of HK\$2.60 per share for the full year ended 31 December 2014, notwithstanding the reduction in the profit attributable to equity holders this year. Based on the Disposal, the Directors have further recommended a special dividend of HK\$2.30 per share, which is based on the net proceeds from the Disposal (after deducting all expenses arising from and/or incidental to the Disposal and all applicable taxes payable from the total consideration), to shareholders.

Both the final dividend and the special dividend shall be considered by shareholders at the forthcoming annual general meeting to be held on 20 May 2015.

BUSINESS REVIEW

2014 was a challenging year for the media and entertainment industry. Our Hong Kong business entered a softer phase due to a slower retail business with many advertisers staying on the sidelines. Nonetheless, we were able to achieve a very mild growth in advertising revenue for the whole year, thanks to advertisers' support for the World Cup, an international event that aroused much enthusiasm in Hong Kong. With the exceptional increase in operating costs as a result of the World Cup, we reined in expenditure during the second half of the year – an important step that we, as a responsible operator,

undertook to keep costs under control. Despite the high costs, we shall continue to bring key international sports events to our audience. We are proud that TVB has been appointed as the official broadcaster of the Rio 2016 Olympic Games in Brazil.

Combating piracy remained a top priority, and the road to restrain such activities has proven to be a long and difficult one. In the international markets, we focused on reversing the downward trend of our overseas pay subscription business. Following the May 2014 launch of our new over-the-top (“OTT”) service, “TVB Anywhere”, in Europe, we successfully migrated our subscribers from satellite TV to the OTT service. After stabilising the situation in Europe, we are directing our efforts towards growing new business. In February 2015, “TVB Anywhere” was launched in Australia.

BUSINESS DEVELOPMENT AND OUTLOOK

Looking ahead, the year 2015 will remain a challenge due to uncertain economic outlook and market conditions. The HKSAR Government announced in October 2013 approvals-in-principle to the applications for domestic free TV programme service licence from Fantastic Television Limited and Hong Kong Television Entertainment Company Limited. The Chief Executive-in-Council is processing the two applications with a view to granting the formal licences in due course. We will monitor the possible impact on our business by the increased competition as and when they commence operation.

After submitting an application to renew our domestic free TV programme service licence in November 2013, we are now close to finalising the terms of a new licence. The renewed licence will set out our future programming and investment commitments. We eagerly await the Government’s decision and look forward to fulfilling the public needs for information and entertainment.

While terrestrial TV broadcasting has been a key entertainment platform in Hong Kong, the Group is at an advanced stage of developing a second platform for Hong Kong TV viewers. It will use the OTT technology to deliver a multitude of TVB productions and acquired channels and programmes, as well as video-on-demand service, to TV sets. We truly believe that this represents an exciting and unique opportunity to capture the audience group seeking a wide range of entertainment programmes from both TVB and other content providers. To further attract younger viewers and those on the move, we shall increase investment in our online offerings and the technology for mobile apps for popular mobile devices. With the launching of the second platform by early 2016, this online service will become our third platform for Hong Kong. We hope that these investments will help the Group cover the TV entertainment market in Hong Kong comprehensively.

Movie production will be another core business of the Group under the brand name of Shaw Brothers Pictures. I am delighted to see increasing Government support for the film industry which has long been a key element of Hong Kong’s creative industries. The vast Mainland China market also presents us with lots of opportunities as well as challenges. In partnership with other local film companies and studios, we aim to boost the volume of Hong Kong films and nurture more production talent as movie and TV programme production complement each other and will together create a greater awareness of our products. We shall produce movies leveraging on selected popular TVB dramas. Also, we shall showcase Hong Kong films to the world through global distribution.

GOVERNANCE

On 1 January 2015, Dr. Norman Leung Nai Pang retired from the Board after serving more than 11 years first as Deputy Executive Chairman and then as Executive Chairman. I am most indebted to Dr. Leung for his immense contributions and insightful leadership.

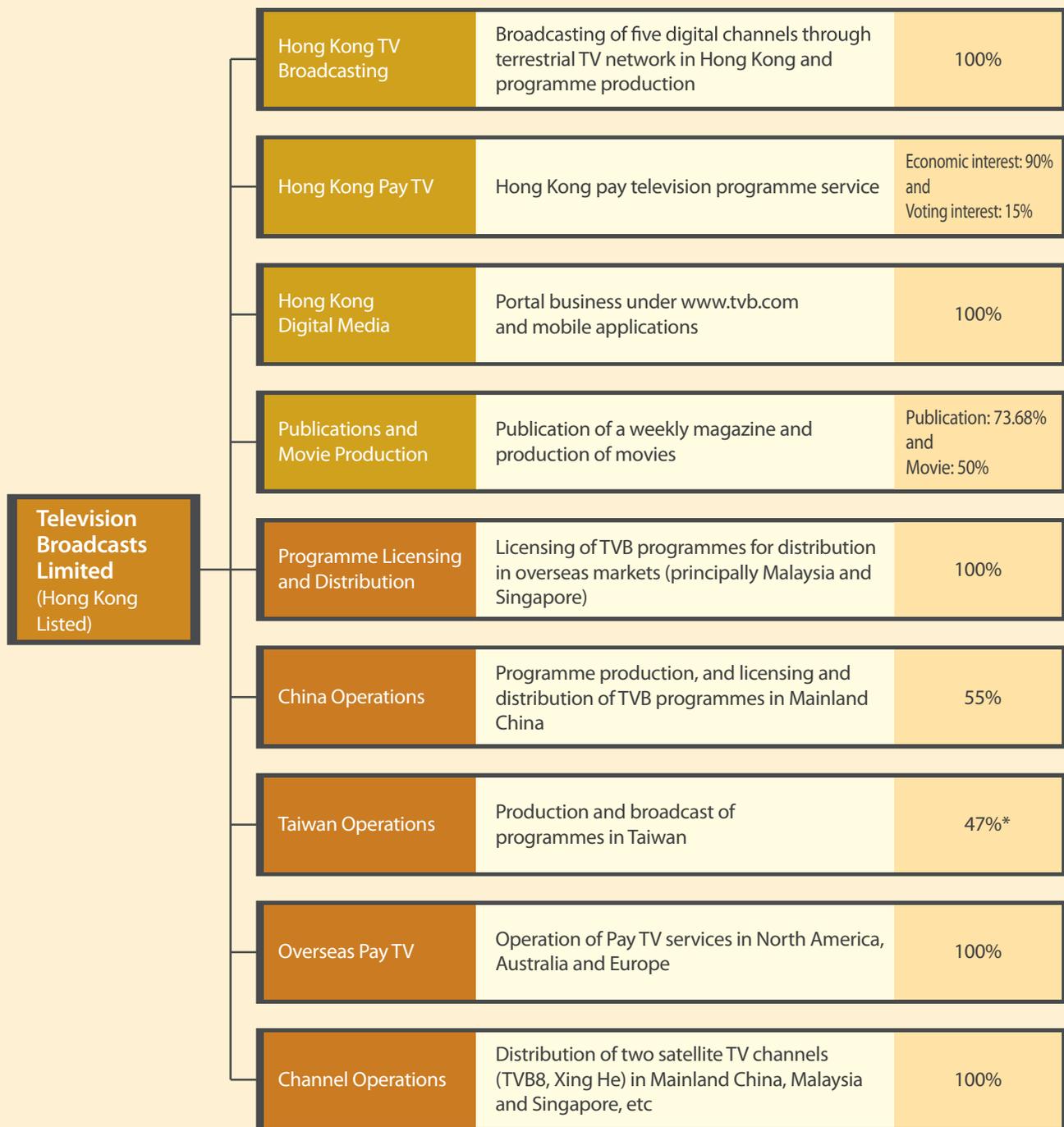
I would also like to sincerely thank my fellow Directors for their guidance and support, and in particular, Mr. Kevin Lo Chung Ping, Mr. Chien Lee, Mr. Gordon Siu Kwing Chue, Mr. Edward Cheng Wai Sun and Dr. Chow Yei Ching who retired from the Board during 2014/2015.

The Board warmly welcomes Mr. Cheong Shin Keong who joined as an Executive Director in January 2015; Dr. William Lo Wing Yan who joined as an Independent Non-executive Director in February 2015; and Professor Caroline Wang Chia-Ling and Dr. Allan Zeman who shall join as Independent Non-executive Directors in April 2015. With these recent changes, I am confident that the new Board will go from strength to strength to meet the demands of the markets and our stakeholders.

Charles Chan Kwok Keung
Chairman

Hong Kong, 31 March 2015

THE GROUP'S BUSINESS



* Upon completion of the disposal announced on 29 January 2015

Television Broadcasts Limited (00511): Founded in 1967 and being the first wireless commercial television station in Hong Kong, TVB is now one of the free-to-air TV broadcasters in Hong Kong and one of the largest commercial Chinese programme producers in the world. It owns five free-to-air channels – Jade, J2, HD Jade, iNews (Cantonese) and Pearl (English), and 12 pay TV channels (will be increased to 13 channels on 4 April 2015). TVB generates over half of its total revenue in Hong Kong, with the balance from the rest of the world through licensing and subscription businesses. TVB was listed on The Stock Exchange of Hong Kong Limited in 1984.

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

TV ADVERTISING

The overall advertising market was negatively affected by declining retail sales in the first half of 2014 and by the Occupy Central movement in the fourth quarter. The worst performing advertising categories on our free-to-air channels were watches and jewellery and premium skincare and cosmetic products. Other important revenue-generating categories – cameras and mobile phone equipment and networks – also experienced a cyclical decline in advertising spending, resulting in an estimated low single-digit percentage decline in Hong Kong's overall advertising market in 2014.

Against this background, TVB's advertising revenue grew marginally by 1%. We estimated that our share of TV advertising spending grew by 0.6% and our share of all media advertising spending increased by 0.5%.

We also experienced a substantial double-digit percentage decline in the advertising spending of skincare, watches and jewellery, mobile phone equipment and networks, and cameras. However, these declines were offset by significant increases in advertising spending by insurance companies, online travel services, toothpaste and detergent manufacturers, as well as credit card companies. Advertising spending remained relatively stable in the major revenue-generating categories of infant-formula manufacturers, financial companies, supermarkets, and restaurants.

A strong marketing strategy for our digital channels – iNews, J2, and HD Jade – and their sustained ratings improvements helped boost revenue from these channels by more than 30%. They provided more affordable TV advertising choices to small-and-medium TV advertisers and helped grow our share of the total advertising market. The World Cup also contributed significantly to revenue growth for the year, as did the launch of affordable high-frequency advertising packages leveraging all of our digital platforms, including online and mobile apps.

TERRESTRIAL TV CHANNELS PERFORMANCE

During 2014, TVB continued to lead the free TV market by attaining a majority of audience share in Hong Kong's free terrestrial TV market. The overall audience share¹ of TVB's terrestrial TV channels² against the total TV channels in Hong Kong, which include free and pay TV channels,

during weekday prime time³ was 81%, against a share of 80% during the same period last year.

INTERNATIONAL SPORTS EVENTS

Significant programming resources were allocated to international sports events during 2014. TVB acquired exclusive multimedia rights on both free and pay TV platforms as well as for Internet and mobile transmissions for the World Cup and the Sochi 2014 Winter Olympic Games.

As the official broadcaster of the World Cup which took place in June and July 2014, TVB introduced a series of ancillary programmes, including thematic travelogues, high-definition documentaries, and variety programmes, across the station's free TV channels (Jade, HD Jade, J2 and Pearl) before the event. They included *Pilgrimage To Football Meccas* on Jade, *South AmeriFun* on J2, *Wild Brazil* on Pearl, and *Rio City of Sport* on HD Jade. Our magazine, TVB Weekly, also carried large volumes of World Cup special issues for soccer fans.

During the 32-day World Cup matches from June through July, the station strategically provided live telecasts of 22 major matches on Jade, HD Jade and Pearl, while the pay TV channels carried the full coverage of 64 live matches. Daily highlights of the event were scheduled throughout the day via Jade, Pearl and iNews to provide viewers with the latest news and score statistics. On 4 July 2014, viewers were invited to watch a 4K-quality live broadcast of the quarterfinal match between France and Germany at KITEC Star Hall to showcase the quality of future 4K broadcasting.

A tailor-made mobile app, myWorldCup, was introduced as an on-the-go companion for soccer fans to offer the latest scoreboard, game schedules, teams' and players' statuses, and gaming entertainment for the audience. In addition, pre-paid VIP passes were introduced, allowing enthusiasts to enjoy exclusive access to the 64 live

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

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

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



Line Walker



Gilded Chopsticks

REVIEW OF OPERATIONS

matches on myWorldCup; a replay of the matches and highlights telecast were also available on the mobile app for viewers to watch at their own time.

The collaborative efforts between the station's terrestrial and pay TV channels, new media platforms, and publications contributed to the event's overall success. All in all, the telecasts of the World Cup live matches and highlight programmes via free and pay TV platforms successfully attracted more than 5.7 million Hong Kong viewers, achieving an extensive reach of 89% of Hong Kong's TV population. Crucial matches like the quarterfinals drew the highest viewership among the live telecasts on Total Jade⁴, attaining 16.8 TV ratings⁵ (between France and Germany) and 16.9 TVRs (between Argentina and Belgium) respectively.

In February 2014, TVB exclusively brought another world sports event, the Sochi 2014 Winter Olympic Games, to terrestrial TV in Hong Kong for the first time. The live coverage attracted more than four million viewers, reaching 63% of the TV population. Our audience was able to witness the appearance of Hong Kong athlete Barton Lui Pan-To competing in the men short-track speed-skating race and the popular women's curling competitions in real time.

During the year, we broadcast a number of other international sports events, including *Nanjing 2014 Summer Youth Olympic Games*, *FINA Diving World Cup 2014*, *FIFA Club World Cup Morocco 2014*, and *FIVB Volleyball World Grand Prix – Hong Kong 2014*.

On 27 May 2014, TVB proudly announced its appointment as the official broadcaster of the Rio 2016 Olympic Games in Brazil.

⁴ During weekday prime time, Jade is defined as an aggregate of Jade and HD Jade ("Total Jade").

⁵ TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2014, the total TV population comprises 6,494,000 viewers, and therefore, 1 TVR represents 64,940 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.



REVIEW OF OPERATIONS



JADE CHANNEL

Jade continues to lead the TV industry as the most-watched TV channel in Hong Kong.

Drama

Crime-thriller serials remained the all-time favourite genre of Jade drama fans during the year, contributing significantly to the overall ratings of our flagship channel.

Undercover police drama serial *Line Walker*, headlined by Michael Miu Kiu Wai, Charmaine Sheh and Raymond Lam Fung, was the top-rated title of the year, achieving a consolidated rating⁶ of 30.5 TVRs (a TV rating of 27.6 TVRs and an average online catch-up rating⁷ of 2.9 TVRs). The popular serial, whose plot revolved around five undercover policemen working their way through the gangster world, clinched the Best Drama title at the station's TV Awards Presentation 2014. Sheh also won the dual titles of Best Actress and Most Popular Female TV Character of the year.

Other popular thriller titles included *Black Heart White Soul*. Roger Kwok Chun On, who portrayed a two-faced lawyer in the serial, was named Best Actor for his outstanding performance.

Light-romance serial *Swipe Tap Love*, starring Priscilla Wong Tsui Yu and Raymond Wong Ho Yin, appealed to younger audience with its love stories sparked by mobile messaging among its protagonists and its use of popular songs.

Shades Of Life, produced by renowned producer Franklin Wong, featured 12 self-contained stories exploring a number of critical social issues such as education, housing, the influx of immigrants, Hong Kong's aging population, and the declining competitiveness of our younger generation. The series generated great resonance with our audience and successfully strengthened our programme offering on Sunday nights.

Family sitcom *Come Home Love* has remained popular with our audience since its debut in 2012. Because of the positive response, we have extended the production of the sitcom to more than 700 episodes; it will continue to be broadcast in 2015.

Non-Drama

Game shows, travelogues, and food programmes remained the key non-drama productions on Jade during the year. The channel also continued to innovate by producing its very first series of micro-cinema titled *A Time Of Love* featuring top TVB artistes and Asian pop stars. We spent a big budget on filming the four micro-cinemas in Malaysia, Singapore, Korea and Japan. The series was awarded Best Special Programme of the year.

Reality shows about the lives of ordinary people continued to gain popularity among our audience. *Nowhere Girls* focused on the makeover of seven women – each said to have one of the worst “seven weaknesses” in mankind; *As I Drift* was a documentary about the lives of Hong Kong immigrants spread across Japan, Mainland China, Taiwan, and Thailand; and *I Am Boss* provided a platform for potential entrepreneurs with innovative ideas to chase their business dreams.

The Conquerors, launched in May, was a new-format game show to promote the pursuit of simple happiness. The programme featured a team of artistes discovering parts of Hong Kong by taking on various challenges and learning new skills.

Travelogue *Working Golden Holidays* adopted a new format featuring eight popular local artistes – Carol “Dodo” Cheng, Ivana Wong Yuen Chi, Hui Shiu Hung, Oscar Leung Lit Wai, Kristal Tin Yui Lee, Alan Tam, Pang Kin Sun and Natalis Chan Pak Cheung, undertaking foreign working holidays in Korea, Australia and Germany.

Food programmes continued to be well-received by our audience: *Queen's Feast*, hosted by veteran actress Liza Wang Ming Chuen, featured exclusive interviews with Hong Kong's top celebrities; and *Good Cheap Eats (Sr.2)* marked the return of hosts Maria Cordero and Luk Ho Ming in the popular home-cooking sequel.

22 TVRs
Total Jade
weekday prime time
(69% of Total TV)

⁶ Consolidated rating is defined as the summation of TV rating and online catch-up rating.

⁷ Online catch-up rating is defined as an aggregate catch-up rating of web and mobile apps platforms. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,940 viewers.



Miss Hong Kong Pageant 2014 - Final



Walk The Walk, Talk The Talk



Queen's Feast



Legend of Yuan Empire Founder

Swordman

The Kingdom of the Oceans
© Galatée Films – Mizar Films 2011

REVIEW OF OPERATIONS



HD JADE CHANNEL

After Jade, HD Jade is the second most-watched TV channel during non-prime time hours, bringing in high-quality acquired drama serials from Mainland China, Japan and Korea for late-night viewers. Its popularity and high-quality programmes continue to attract luxury brand advertisers.

In 2014, the top-rated acquired drama on HD Jade was *Doctor-X*, a popular Japanese medical serial starring Yonekura Ryoko. Korean romantic period drama *Jang Ok Jeong* and Mainland Chinese historical drama *Legend of Yuan Empire Founder* – based on the life of Kublai Khan – were two other popular titles that both attained 4.0 TVRs.

HD-quality documentaries remained a popular offering on the channel for Sunday evenings. The most-watched title of the year was wildlife documentary *Secrets of Wild India*, which reached a record-breaking single episode rating of 9.1 TVRs and an average rating of 8.0 TVRs. Other popular titles included *Great Barrier Reef*, *The Kingdom of the Oceans*, *Africa The Future*, and *24/7 Wild*.

Weekend programming strategies were strengthened with the addition of Mainland China-produced singer reality shows such as *I am a Singer (II)* and *The Voice Of China (II) & (III)*.

To provide up-to-date financial information to our audience, HD Jade began scheduling live segments on the locally produced stock market info programme *SHHK Market Live* following the launch of the Shanghai-Hong Kong Stock Connect scheme in November 2014.



The Voice of China III

I am a Singer II

REVIEW OF OPERATIONS



J2 CHANNEL

J2 maintained its position as the second most-watched TV channel in Hong Kong during weekday prime time after Jade. The channel is specifically programmed to target younger viewers.

During the year, we launched a campaign on J2 to drive greater creativity and innovation for TV programme production. Under a project named *Unleash Your Creativity*, the station invited creative talents to submit original storyboards for TV programmes. This effort resulted in eight shortlisted proposals which were turned into real TV programmes. These programmes were successfully produced and broadcast during the summer months as a reward for the winning proposals, raising even greater awareness for the campaign.

New titles this year included *Go! Yama Girl* which showcased some of Hong Kong's well-travelled and scenic hiking routes, and *Organised Dining*, which was the channel's first self-produced food programme introducing some of the city's best eateries. Travelogue *Fun Abroad* took viewers on 72-hour trips to hot and faraway destinations such as Paris, London, Singapore, Taiwan, and Tokyo.

Popular Asian dramas continued to help J2 draw in a stable pool of young audience. Korean drama serials *Master's Sun* and *Emergency Couple* both attained 3.9 TVRs at late evening timeslots, while Japanese TV series *Midnight Bakery* and *Priceless-Is There Such a Thing?* dominated the ratings on weekends.

Acquired popular reality shows *Where are We Going, Dad? (II)* focused on the interactions between fathers and kids. Celebrity dads Francis Ng and Gary Chaw together with their children helped attract exceptional viewership on our channel. Other well-received programmes included Korea's game show *Running Man* and celebrity survival show *The Law of the Jungle*, as well as Japan's animal variety shows *Shimura Zoo* and *Pet Parade*.

Some of Asia's most-awaited music events and awards, including *Hong Kong Asian-Pop Music Festival 2014*, *Metro Radio Mandarin Music Awards 2014*, and *2014 Mnet Asian Music Awards* also formed part of the music offerings on J2.

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



Go! Yama Girl

Unleash Your Creativity



Unleash Your Creativity



Organized Dining



IN VINO VERITAS

In Vino Veritas



TYCOONTALK

Tycoon Talk



DOLCE VITA

Dolce Vita

REVIEW OF OPERATIONS



PEARL CHANNEL

Pearl consolidated its image as an upmarket and stylish channel, successfully expanding its affluent audience group by 37%. In addition to the long-standing popular lifestyle programme *Dolce Vita*, the production team further expanded the channel's repertoire of programmes targeting high-end viewers.

Tycoon Talk, a new talk show produced and hosted by Sean Lee-Davies, interviewed the success stories of eight Hong Kong business tycoons. Lifestyle programme *In Vino Veritas* hosted by Master of Wine Jeannie Cho Lee and model Anthony Sandstrom took viewers on a virtual tour to world-famous winemaking regions and vineyards; they explained the history and process of wine-making and provided insights into the development of the wine industry. These new programmes boosted Pearl's viewership by 19%.

Blockbuster movies and popular U.S. TV drama serials remained major attractions of the channel during prime time. U.S. superhero flick *Marvel's The Avengers* was the top-rated programme of the year with an average 7.6 TVRs. *The Blacklist* and *Marvel's Agents of S.H.I.E.L.D.* were the two most popular foreign drama serials of the year.

In celebration of "Double Valentine", a rare occurrence when the western Valentine's Day coincides with its Chinese counterpart, which occurs once every 19 years, seven classic Hollywood and Asian romance films under the branded title of Season of Love were promoted during that period. Top-quality documentaries, included *Wild Hawaii*, attracted viewers during the prime evening timeslot.

For the first time, a number of *Dolce Vita* programme hosts provided commentary on *The Oscars*[®], which was held in Los Angeles in March 2014. The channel provided a prompt replay of the annual gala with English and Chinese subtitles during the evening. Viewers were also able to catch-up with the grand ceremony on TVB's web portal and their mobile devices.

Pearl covered the *Hong Kong Masters 2014* for the first time in February 2014. Viewers enjoyed the exclusive coverage of the five-star international equestrian event over a three-day period.



Acid Ocean

REVIEW OF OPERATIONS



iNEWS CHANNEL AND NEWS PROGRAMMES

iNews continues to be the most watched 24-hour news channel in Hong Kong.

The station's dedicated coverage of the Occupy Central movement during the fourth quarter of 2014 drew record-breaking viewership on iNews. On 28 September 2014, more than three million Hong Kong viewers tuned in to the channel for the latest updates of the confrontations between police officers and protesters. Since that date, digital on-line platforms – TVB News app, TVB News web portal, and the live myTV iNews channel – had recorded a significant increase in the numbers of unique visitors – reaching more than 284,000 unique visitors for the portal and more than 399,000 unique users for the mobile app. iNews provided a comprehensive 24-hour coverage throughout the 81 day incident.

A new “co-anchor” format for the late afternoon weekday newscasts was introduced to provide more lively and interactive news coverage. The channel also strategically extended the evening 7:30 p.m. newscast on weekdays from 30 minutes to one hour and the late News Roundup at 11:00 p.m. to one hour.

New segments were added to strengthen coverage. *China News* was launched to enhance our audience's understanding of social, economic and political issues in Mainland China, while *International News Files* showcased historical news clips.

Popular new segment *Big Big World* continued to showcase customs and traditions of little-known destinations such as Bhutan, Brazil, Gibraltar, Lithuania, Jamaica, Jordan, Tonga, and Vanuatu. Because of its popularity, the segment was re-edited into a 30-minute documentary series and was launched on Jade.



Diversified new segments like *The 24 Solar Terms*, *Sports Medicine* and *Today in History* helped broaden iNews' information offering on a variety of topics such as weather, health, and history. These new segments are telecast prior to the rescheduled 11:00 p.m. News Roundup on weekday nights.

DIGITISATION

Digital household penetration in Hong Kong remained at 82% in December 2014, unchanged from its level in April 2013, according to a tracking survey commissioned by TVB and the HKSAR Government. Further increases in the penetration rate is only expected in the case of exclusive digital coverage of major events, like the Rio 2016 Olympics, or a switch-off from analogue TV services, which is scheduled for the end of 2020.

All of our TV production studios have been upgraded to HD production standard. During the year, we also completed the upgrading of the post-production and field-production facilities which are now compatible with HD standard.



24 iNews Channel Studio



二十四節氣
冬至

The 24 Solar Terms



TVB News Studio



Sochi 2014 Olympic Winter Games



Big Big World



Occupy Central movement





My Love From the Star
© 2013 SBS Contents Hub Co., Ltd.



TVB Sports Studio



Doctor-X (II)
©TV Asahi



The Inheritors
© 2013 SBS Contents Hub Co., Ltd.

REVIEW OF OPERATIONS



CHANNELS FOR HONG KONG PAY TV PLATFORM

In addition to serving terrestrial TV, TVB produced and delivered a bundle of 12 channels during the year for TVB Network Vision Limited, the Group's pay TV platform in Hong Kong. These 12 channels were: Drama 1, Drama 2, TVB Classic, TVB Good Show, TVB Window, TVB Food, TVB Sports, TVB Kids, TVB Entertainment News, TVB Encore, TVBN, and TVBN2.

Drama 1, Drama 2, and TVB Classic maintained strong leading positions as drama channels and continued to attract fans, generating good ratings. During 2014, Drama 1 and Drama 2 offered 1,600 hours of premium first-run titles from Mainland China, Japan, Korea, and Taiwan, which included major drama hits from Korea *My Love From the Star* and *The Inheritors* which stormed the home market on their debuts.

To meet the increasing demand of local viewers for first run dramas, Drama 1 launched a new "quick-release" timeslot to bring hit dramas which are still being aired in the home markets in the original languages but with added Chinese sub-titles. These dramas included Korean drama *It's Alright, This is Love, My Lovely Girl*, and *Nodame Cantabile*, Japanese drama hits *Doctor-X (II)* starring Yonekura Ryoko and *Legal High! (II)* headlined by Sakai Masato.

With selections from TVB's vast classic programme archive of the Hong Kong's biggest stars, TVB Classic continued to perform well and draw in good ratings. During 2014, the channel showcased a themed package featuring the early works of world-acclaimed actor Chow Yun Fat. Later in the year, it also repackaged the best drama performances of

Roger Kwok and Charmaine Sheh to co-incide with their Best Actor and Best Actress wins; viewers enjoyed Kwok's powerful performance under the *Stardust Memories* series and Sheh's in *TVB Star Power*.

Sochi 2014 Olympic Winter Games in the winter and the World Cup in the summer became the focus of TVB Sports which devoted extensive channel coverage of these international sports events. Live coverage of the 2014/2015 horseracing season was introduced to TVB Window from September 2014 to strengthen the overall offering from the TVB's pay TV bundle.

TVB Good Show continued to feature the popular annual awards and variety programmes in the region, which included Korean travel-reality show *Grandpas Over Flowers* and its sequel *Noonas Over Flowers*. *Grandpas Over Flowers*, which centred on several veteran actors on a backpacking tour to overseas destinations, became a cultural phenomenon in its home market and spawned several spin-offs. TVB Good Show also showcased several prestigious Asian TV drama awards presentations, including Taiwan's *49th Golden Bell Awards* and Korea's *2013 KBS Drama Awards*, *2013 MBC Drama Awards*, and *2013 SBS Drama Awards*.



Legal High! (II)

© 2013 FUJI TELEVISION NETWORK, INC.

REVIEW OF OPERATIONS

DIGITAL MEDIA BUSINESS

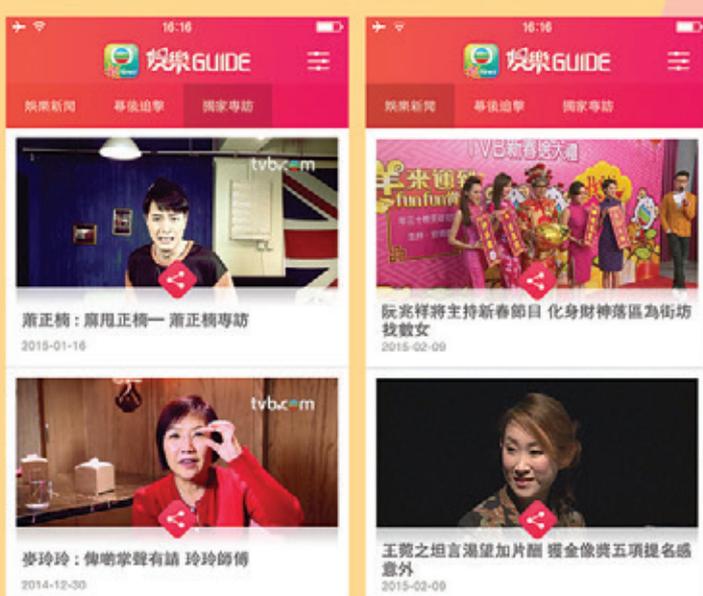
Our digital media business achieved many significant milestones during the year, with the most notable one being the launch of a brand new video-on-demand service, GOTV, in January 2014. This service expanded our business scope into the online pay business area and marked the first time that we generated revenue from the digitisation of our 40-year TV archive. Customers simply purchase a monthly or annual subscription to enjoy unlimited access, subject to fair use, to more than 500 TVB-produced dramas and variety programmes online and via their mobile devices. More than 67,000 subscribers have signed up in the first year. In 2015, we will continue to enhance the service by providing more contents, additional features, and pay-per-title capability.

The launch of myWorldCup app, which allowed Hong Kong viewers to watch the World Cup on their mobiles for the first time ever, was a huge commercial success. Not only were all 64 matches streamed live, but the service also provided exclusive on-demand multi-angle replays of each match and timely match highlights; second-screen features, such as comprehensive in-match statistics and instant digital video recorder, were provided. The app was further enhanced with lead-in programmes, lucky draws, and mobile games. All of these features resulted in more than 530,000 downloads of the app and a peak concurrent live-match viewing of about 80,000 streams.

Our flagship service, myTV, maintained its leading position in Hong Kong's in-stream video advertising market, achieving high double-digit advertising revenue growth. During the year, we enhanced the service by providing exclusive behind-the-scene footage of our drama production and an exclusive 1080p zone, as well as deployment to Microsoft's Xbox One platform. We plan to announce a major expansion of the myTV service in the first half of 2015.

Other TVB apps have also been enhanced. During the Occupy Central movement, we upgraded the supporting infrastructure of the TVB News app to cope with a seven-time surge in viewership between September and October. The news app now provides a live audio-only option to tune into the iNews channel and new contents such as court and cross-strait news. The TVB Zone app was expanded to include a live magazine section and video contents. We also improved the infrastructure of the TVB Fun app to support large-scale voting on station's events by TV viewers and launched an entertainment news app TVB eNews in November, with more enhancements planned for 2015.







Triumph In The Skies



REVIEW OF OPERATIONS

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

For the year ended 31 December 2014, TVB's share of the net loss of TVB Pay Vision Holdings Limited⁸ ("TVBPVH") amounted to approximately HK\$72 million (2013: HK\$53 million).

As stated in the interim report for the period ended 30 June 2014, online piracy using Internet Protocol-based devices had exploded. Despite significant investment in improving the infrastructure for distribution of the pay TV channels, and efforts made to migrate subscribers from satellite to optical fibre during the year, residential pay TV subscribers failed to increase and its related revenue recorded a drop of 5% from last year. The Group's pay TV operation was severely affected by piracy, which principally used unlicensed broadcast of the World Cup as the content driver to attract consumers in the sale of many kinds of IP based TV boxes. The proliferation of these boxes is causing great damages. TVB had no choice, but to quickly step in to take strong legal and enforcement actions against these pirates.

As stated in the Chairman's Statement for the year, a major effort by the Group to revamp the pay TV service is at an advanced stage of development. The roll out of a new service encompassing the vast resources of TVB is planned for the early part of 2016. This planned service will use the OTT technology to deliver a multitude of TVB (free and pay TV channels) and acquired channels, and programmes, as well as to offer viewers video-on-demand capability using their own devices, including TVs, personal computers, mobile phones and tablets. We believe that, with this completely new service covering what we name as the second platform, the Group will be able to capture the audience group seeking a wide range of entertainment programmes from TVB and other content providers. Also, this service will be competitive in gaining subscribers in the pay TV market as it has a much lower cost to consumers when compared with the traditional pay TV model.

The total interest in TVBPVH as of 31 December 2014 before any impairment losses was HK\$1,156 million (2013: HK\$1,138 million), which represented the total cost of investment, a long-term loan and trade receivable balances, less the accumulated share of losses. Management had undertaken a vigorous review of the amounts due from TVBPVH and concluded that no further provision for impairment was required to be made in the Group accounts as of 31 December 2014. Accordingly, after deducting the accumulated provision for impairment loss of HK\$510 million, the balance of the

Group's total interest in TVBPVH stood at HK\$646 million as of 31 December 2014 (2013: HK\$628 million).

With the new OTT business model which the Group believes will transform the pay TV service, it has confidence in the future business prospects of TVBPVH.

MAGAZINE BUSINESS

Despite a highly challenging business environment for print including magazines in 2014, TVB Publications controlled costs effectively and launched new revenue-generating initiatives. Free on-pack premiums (gifts attached to magazines) helped boost circulation.

In June, we launched a new upmarket weekly magazine, "Live", which is distributed free of charge alongside TVB Weekly and to high-end readers on a controlled circulation basis. The magazine aims to develop advertising revenue in the luxury goods categories.

TVB Zone, a free mobile app, was revamped in June to allow readers to view selected stories of TVB Weekly and to provide an in-app video function to enhance the magazine's feature stories. The exclusive online videos helped generate nearly 290,000 downloads of the app in the second half of 2014.

MOVIE PRODUCTION

During the year, TVB partnered with Media Asia Film Production Limited, One Cool Film Production Limited and Dongyang Enlight Pictures Co. Ltd. completed the production of a major movie *Triumph in The Skies*. The movie, which leveraged on the successful TVB drama serial *Triumph In The Skies II*, starred Louis Koo, Sammi Cheng, Francis Ng, Julian Cheung, Charmaine Sheh, and Kuo Tsai Chieh. TVB also invested in the production of the movie *From Vegas to Macau II*, which was directed by Wong Jing and starred Chow Yun Fat, Nick Cheung, Carina Lau, Shawn Yue and Angela Wang.

Both movies would be released in Hong Kong, Mainland China and in the international markets in February 2015 to coincide with the Chinese New Year.

Movie production will be another core business of the Group. Shaw Brothers Pictures Limited, wholly-owned by TVB, was officially launched at the Hong Kong International Film & TV Market (FILMART) in March 2015.

⁸ The Group's economic interest in the Hong Kong pay TV platform through TVBPVH stands at 90%, and the Group's voting interest in TVBPVH remains at 15% for the year 2014. As the Group does not exercise control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for as an associate in the accounts of the Group.

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS



ASIA

| | | |
|-----------|-----------|-------------|
| BRUNEI | MACAU | SOUTH KOREA |
| CAMBODIA | MALAYSIA | TAIWAN |
| CHINA | MYANMAR | THAILAND |
| INDONESIA | SINGAPORE | VIETNAM |
| LAOS | | |



NORTH AND CENTRAL AMERICA

CANADA USA PANAMA



TVB Jade
Australia,
Europe, HK



Jade Channel
USA



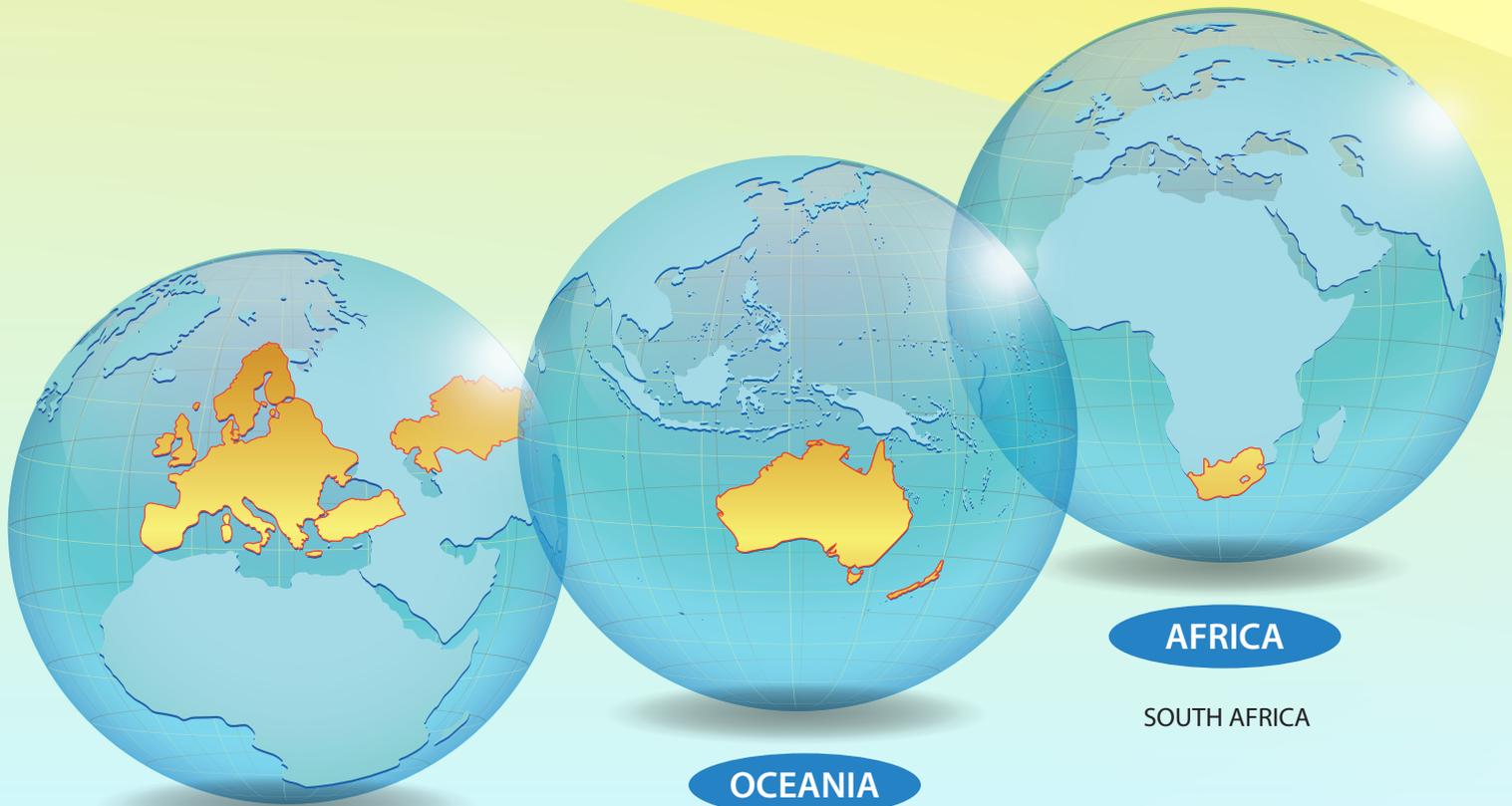
TVB - V
Australia, USA



TVB8
Australia, China, HK,
Indonesia, Macau, Malaysia,
Singapore, Taiwan, USA



Xing He
Australia, China,
Indonesia, Macau,
Malaysia, New Zealand,
Singapore, Thailand



EUROPE

OCEANIA

AFRICA

AUSTRALIA NEW ZEALAND

SOUTH AFRICA

- | | | |
|----------------|------------|---------------------|
| AUSTRIA | HUNGARY | REPUBLIC OF IRELAND |
| BELGIUM | ITALY | SPAIN |
| CZECH REPUBLIC | KAZAKHSTAN | SWEDEN |
| DENMARK | LUXEMBOURG | SWITZERLAND |
| FINLAND | NORWAY | THE NETHERLANDS |
| FRANCE | POLAND | TURKEY |
| GERMANY | PORTUGAL | UK |
| GREECE | | |



TVBS
Taiwan, USA



TVBS - News
Australia, HK, Indonesia,
Macau, Singapore, Taiwan



TVBS - G
Taiwan



TVBJ
Indonesia, Singapore



StarHub TVB Awards 2014



The Way We Were



A Time Of Love



TVB Star Awards Malaysia 2014

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Total revenue from programme licensing and distribution, which comprised income from the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, increased by 1% from HK\$1,072 million to HK\$1,085 million.

The two key traditional markets, Malaysia and Singapore, contributed total revenue of HK\$455 million. Entering into the second year of our master agreements with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") in Malaysia and StarHub Cable Vision Limited ("StarHub") in Singapore, licensing revenue from these two markets reported increments of between 3% and 5%. However, the fluctuations of Malaysian Ringgits against the US dollar negatively impacted on revenue.

The subscription business of our licensees was seriously affected by the rapid development of new media technology in Malaysia and Singapore. The younger generation turned away from conventional pay TV as many contents could be accessed free of charge through the Internet, albeit illegally. In addition, the proliferation of OTT boxes, which allow users to access our contents without authorisation, also affected the licensing business. Apart from liaising with government authorities to curb illegal downloading and the influx of OTT boxes, we also adopted a more flexible marketing strategy by releasing new TVB dramas to subscribers of MEASAT and

StarHub's basic packages in the hope that this would stop such subscribers from downloading TVB contents illegally. The strategy successfully retained subscribers, but the subscription revenue of premium or video-on-demand services was inevitably affected.

Meanwhile, our strategy of producing original contents in Malaysia and Singapore to attract different audience groups received tremendous support from subscribers and sponsors and helped stimulate new business opportunities in the two markets. Two leading projects during the year were the music movie *A Time Of Love* – a collaboration among Hong Kong, Singapore, Malaysia, South Korea and Japan – and *Wellness On-The-Go*, a co-operative venture with MEASAT.

During the year, we continued to expand our presence in non-traditional markets. In South Korea, we successfully renewed our contract with Central Multi Broadcasting for another two years until 2016. In Indonesia, PT. Link Net (trading as "First Media"), which launched a digital platform to distribute TVB's channels in 2013, planned to increase its capacity for our HD channels. In Vietnam, our increased investment in marketing has started to pay off: We renewed a multi-year licence with the country's largest cable TV network, which carries the TVB Drama Channel, to take advantage of the channel's fast-growing advertising revenue, which we share with the network. Meanwhile, a time-belt contract, which we secured with the same operator in 2013, has produced good ratings and generated higher advertising revenue.



REVIEW OF OPERATIONS

CHINA OPERATIONS

TVB advanced the Group's strategies for Mainland China under 上海翡翠東方傳播有限公司 ("TVBC"), its joint venture with China Media Capital and Shanghai Media Group. In accordance with the agreed capital contribution between the JV partners, the registered capital of TVBC, which is in its third year of operation, increased from RMB100 million to RMB200 million during 2014.

Total revenue for the year ended 31 December 2014 from Mainland China reported a decline from HK\$402 million to HK\$383 million. This reflected a more difficult market for licensing of content from Hong Kong to the Mainland's national channels as more regulatory restrictions on imports of foreign programme content came into play.

Contrary to this, we have had encouraging results from the new media licensing business as we entered into a number of contracts with new media partners, namely IPTV, Internet portal, and VOD operators, during the year. TVBC also joined forces with China Mobile, the nation's largest mobile network, to release an app named iTVB in mid-2014 to distribute TVB's dramas to subscribers. To date, the number of subscribers to iTVB has grown to more than 500,000.

The licensing of TVB content on Youku and Tudou websites continued, contributing the highest of all licensing revenue from digital new media. However, the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") in the PRC issued some new measures – which would take effect from 1 April 2015 – to tighten control over imported programmes. The general rules stipulate that pre-censorship and formal approval have to be obtained from SAPPRFT for all imported, foreign-produced dramas before their release to the public, and that the total number of hours of imported foreign contents cannot exceed that of national-produced contents of the previous year for a specific new media platform. TVBC will closely monitor the implementation of these measures and will adjust our strategies accordingly to minimise any negative impact to the Group.

During the year, TVBC entered into a cooperation agreement with Dongfang Satellite TV, which introduced TVB's classic dramas in its afternoon-drama time slot. The dramas received satisfactory TV ratings and ranked top 10 among national satellite TV programmes for this time slot.

TVBC continued to invest in Mainland-produced dramas, which will qualify for prime time release on national satellite TV channels and on digital new media platforms. During the year, TVBC invested in two non-drama titles and a number of drama titles. The first one, *Work Experience*, comprised eight episodes and reached a total of 90 million viewers when it was broadcast through Tencent video. The other production, *Bride Wannabes*, was the Mainland Chinese version of TVB's programme *Bride Wannabes*; it attracted a viewership of more than 70 million people on Weibo and became the talk of the town when it was released on the Iqiyi website and Shanghai TV Channel.

However, drama production involves inherent risks partly associated with SAPPRFT's policy to regulate the market. Since 2012, the regulator has imposed more restrictions on advertising time and duration. Historically, out of an annual output of around 18,000 hours of Mainland-produced dramas, about 40% of them are never broadcast to any audience. This wastage is a reflection of the market's competitiveness and the range of production quality. To mitigate this risk, TVBC will be very selective when making investment decisions on programme production.

TAIWAN OPERATIONS

TVBS – TAIWAN

Taiwan registered a growth in GDP of 3.5% in 2014, representing a substantial increase from 2.2% in 2013. Yet, it was a challenging year for the traditional media, including the satellite TV channels, because of intense competition from the new media, which is growing at a double-digit percentage pace, and a lack of enthusiasm for Taiwanese content beyond the home market.

The results of TVBS, our Taiwan operations, however, stood out from its peers due to a surprise windfall in advertising revenue. This was because TVBS picked up the exclusive broadcasting rights of the elimination round of the World Cup following an unexpected contractual dispute between FIFA and the original broadcaster in mid-tournament. TVBS finalised the contract with FIFA within 48 hours and set up its operation to broadcast the remaining matches on TVBS' Channel 56 in full high definition for the first time. In addition, TVBS also recorded a better-than-expected performance from the New Year Eve Countdown Special. However, the increase in the overall net profit for the year was moderate due to a continued weakness in the advertising market.

The World Cup coup went beyond giving TVBS a huge boost for the summer: the coverage of the final 16 matches on TVBS News (Channel 55) helped strengthen its leadership position among Taiwan's news channels. Since the World Cup, the channel has maintained at least a 25% share of the audience, giving it a healthy lead over second-place ETTV News's 20% share.

On the in-house produced drama front, although *The Way We Were* was the highest-rated teen idol drama series in Taiwan, international demand, especially from Mainland China, for this type of content is weak. We are therefore not optimistic that this kind of programming could fetch good prices from content buyers going forward, especially when Korean and Mainland productions are all the rage these days. We are experimenting with the right mix of products that have broad appeal to both domestic and international markets.

In the meantime, the construction of the Linkou headquarters continued during the year, with completion around 2018/2019.

OVERSEAS PAY TV OPERATIONS

The overall pay TV business environment remains unfavorable as rampant IP-based piracy continues to plague the industry globally. Overall revenue recorded a drop of 21% to HK\$243 million. Together with other major content owners, we support trade associations' push for overseas governments to legislate and use administrative measures against IP piracy. These efforts have achieved some progress during the year; for example, the Australian government demanded local Internet service providers to work with content owners to disconnect websites and IP addresses used to connect to copyright-infringing contents.

In view of the growing demand for OTT service, we launched "TVB Anywhere", an IP-based pay TV service, in Europe in May 2014. This new technology is much more competitive in terms of costs compared with satellites. As we have to keep our business model cost-effective, the OTT technology is considered our best viable option going forward.

NORTH AMERICA (USA)

Content consumption on new media showed significant growth, particularly in the young generation group. We invested in this growing trend and worked closely with major new media platform operators, including Hulu, DramaFever, Crunchyroll and Youtube, to offer the latest TVB contents. Viewership of TVB contents on new media increased significantly during the period and we started receiving advertising revenue from these platforms. In the direct-to-home (DTH) satellite TV business, we joined an alliance led by DISH Network to take legal actions against the IP-based pirates.

REVIEW OF OPERATIONS

AUSTRALIA

Our investment in event marketing and grand shows, such as Miss Australia Chinese Pageant, has created a new source of advertising income and contributed to revenue growth. Our locally produced contents helped reduce a loss of subscribers to piracy. We launched the “TVB Anywhere” service in Australia in the first quarter of 2015 to gradually replace the DTH satellite service. We shall adopt a low operating cost model to ensure our pay TV business remains competitive in the market.

EUROPE

The launch of the “TVB Anywhere” service in May 2014 led to a positive growth in the number of subscribers. We closed down the DTH satellite business by way of liquidations of a number of subsidiaries and appointed service agents to help operate the new “TVB Anywhere” service in Europe. This arrangement has largely reduced operating costs and significantly improved our business performance.

CHANNEL OPERATIONS

TVB8 AND XING HE CHANNELS

TVB8 and Xing He channels are distributed through satellite to Mainland China and as part of the channel offerings to MEASAT, StarHub and Telekom Malaysia. Total revenue in 2014 recorded a drop of 6% to HK\$125 million.

Due to the rapid development of new media technology, the audience’s viewing pattern has changed and become more selective. In order to cater to their needs and to further develop our business in overseas markets, we plan to upgrade the TVB8 and Xing He channels to HD format in 2015.

Co-operation projects with our partners in Mainland China and South East Asia, including *Chinese New Year Chinese Taste* with Shanghai Media Group, *City Walker - Fujian* with the Provincial Government of Fujian, and *StarHub TVB Awards Presentation 2014* with StarHub in Singapore, received positive feedback from both the audience and advertisers. This has once again proven that locally produced events with the involvement of our audience can help attract more viewers and increase our revenue.

To further extend our business opportunities from traditional TV to the Internet, we used different new media platforms such as Wechat and Weibo to conduct a variety of online promotional activities, attract more young Chinese followers, and expand our viewership in Mainland China.

COMBATING PIRACY

Protecting intellectual property rights is one of the important measures we have taken to protect our revenue. During the year, the Group’s internal anti-piracy task force continued to place extensive surveillance on the Internet to detect infringing websites, infringing apps and illicit streaming boxes. Administrative or civil actions were taken, resulting in the shutdown of more than 20 major infringing websites and the removal of around 113,000 links leading to infringing contents.

We also worked with local and overseas law enforcement agencies to explore the possibility of taking criminal actions on the suppliers and retailers of illicit streaming boxes. Investigations are ongoing.

We continued to lobby different governments, including the USA and the UK, to improve copyright legislation and provide effective protection to copyright owners against online piracy. We made submissions to Australia and Singapore in response to their public consultations. Locally, we made submissions to the Government and provided deputations during the legislative process of the Copyright (Amendment) Bill 2014. To coordinate international efforts in tackling the streaming piracy problem, the INTERPOL, in response to our request, agreed to follow-up the matter with a strategy action plan.

The Group maintained close liaison with local and overseas governments, copyright associations, concern groups such as the Cable & Satellite Broadcasting Association of Asia (CASBAA) and the U.S. Coalition Against Online Video Piracy (CAOVP), and other industry players in the fight against piracy.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has always played an important part in our corporate philosophy. During the year, we continued to adopt sustainable business practices to improve the environment, ensure the health and safety of our staff, and support charities to give back to society.

ENVIRONMENTAL PROTECTION

Electricity is one of the major resources for TV production. At TVB City in Tseung Kwan O Industrial Estate, an increase in our production throughout and broadcasting and production equipment in recent years has caused a surge in electricity consumption. In 2014, more than 47 million kilowatt per hour of electricity were consumed, 3.3% more than the previous year.

The energy saving project launched in 2012 to replace traditional fluorescent tubes continued in office areas. In 2014, more than 6,000 LED lightings were installed, resulting in estimated electricity savings of over 723,000 kilowatt per hour. This will be extended to technical areas and studios subject to production requirements.

Other measures being implemented include the Chiller On/Off Optimisation programme, which aims to reduce the energy consumption of cooling plants.

Water consumption in 2014 totalled 105,945 cubic metres, an increase of 0.95% when compared to 2013.

The Company has introduced a number of measures to reduce paper consumption including a paperless workflow system, two-sided printing, and waste paper recycling. During the year, 92,764 kilograms of waste paper, 542 used toner cartridges, and 300 rechargeable batteries were collected by recycling agents.

A vehicle replacement scheme was launched in 2012 to improve roadside air quality and 42% of the Company's cars now fulfill the Euro V emission standard. The scheme will continue in the coming years.

WORKPLACE PRACTICES

The Group had a total of 5,273 staff at the end of 2014. Of them, 3,980 were employed in Hong Kong.

The Company maintains an open dialogue with its staff to understand their needs. An ombudsman scheme has been set up to handle staff suggestions and grievances. A monthly newsletter is published to inform staff of the latest happenings in the Company and help cultivate a sense of belonging among colleagues. The Benefit & Staff Relations Section organised sports and recreational activities, outings and interest classes for our employees. In 2014, 12 staff were recognised for their outstanding performance under the Outstanding Employee Award Scheme.



The Community Chest 2013/2014 Hong Kong and Kowloon Walk for Millions

CORPORATE SOCIAL RESPONSIBILITY

A Safety Committee has been established to identify and review measures to improve the health and safety of the workers. We conduct monthly workplace safety inspections and annual safety audits. A total of 12 courses on workplace risk assessment and occupational or personal safety were organised.

During the year, 96 accidents or incidents occurred injuring 91 employees. Investigations were carried out to determine the cause of the accidents and prompt arrangements were put in place to prevent recurrence.

In response to declining revenue growth and cost inflation, a number of cost saving measures were taken during the year, including recruitment freeze and reduction in headcount. A total of 50 positions in Hong Kong were eliminated, mostly through natural wastage and deletion of unfilled posts. Employees who were directly affected were offered severance pay, payment in lieu of notice and gratuity.

The pay TV business in Europe, which was adversely impacted by rampant piracy, was restructured at the end of 2014. A total of 54 staff in the UK and France were made redundant.

OPERATING PRACTICES

The Corporate & Community Relations Department communicates with the public in relation to our TV programmes via different channels including an audience hotline and emails. In 2014, the department received 32,222 enquiries, 6,748 suggestions and comments, 811 commendation, and 10 complaints. The particulars of the complaints were submitted to the Office of Communications Authority on a monthly basis.



Charity Sale of Cookies



2014 TVB Inter-Collegiate Documentary Competition

Another programme hotline providing pre-recorded information on prime time programme schedules of the Jade and Pearl channels received 27,400 calls.

TVB is a public body governed by the Prevention of Bribery Ordinance and the Company has an established purchasing policy and procedures. Solicitation of any advantage by employees from contractors, suppliers or any person in connection with the Company's business is prohibited. Notices are issued from time to time to remind staff and suppliers of our anti-corruption policy.

COMMUNITY ENGAGEMENT

The Company continued to provide significant support to the community through donation and the use of programme time and resources.

The TVB, Staff & Artistes Fund for Charities ("Fund") was established in 2013 with the aim of providing aid to victims of calamities, poverty relief and caring for the elderly. In 2014, the Fund received 244 cases referred by non-governmental organisations, the Social Welfare Department, and the Labour Department. A total of 181 cases were approved and subsidies totalling HK\$1,567,489 were given to low-income families, single parents, new immigrants and the elderly. The Fund also donated HK\$388,300 to sponsor charity activities including the Winter Solstice Food Donation, the Chinese New Year Extra Dishes at community canteens, and gifts for a Santa Claus project.

TVB leverages its programmes and artistes to draw the community's attention to the needs of the less fortunate

and encourage public support for worthy charitable causes. In 2014, fund-raising TV specials produced for charitable organisations raised a combined total of over HK\$222 million.

During the year, the Company launched the nine-episode *I Am Boss* offering the participants expert advice on how to start a business and an opportunity to win a start-up fund. Other ongoing programmes promoting positive values included drama series *Come Home Love* which emphasised the importance of family harmony and caring for the community; and *Scoop* which reported on community events urging people to care for the elderly and produced more than 20 special segments to pay tribute to good Samaritans.

As a licensing condition, we provide free airtime to broadcast government publicity messages, also known as Announcements in the Public Interests (API). We broadcast an aggregate of 730 hours of APIs on the five free TV channels in 2014.

The first TVB Inter-collegiate Documentary Competition was successfully held in 2014. It aimed to help students of relevant disciplines gain hands-on experience in television production in accordance with industry practices and regulatory requirements. Seven local universities and colleges took part in the competition.

Scholarships were awarded to outstanding students studying journalism, communication, film and television at three universities.

The annual Charity Sale of Cookies, co-organised with a local charity and a bakery, raised over HK\$868,000.

In support of the Hong Kong Red Cross, two blood donations were organised and more than 200 employees gave blood.



Evangel Children's Home visiting TVB City

Liza Wang distributing gift packs to the elderly at a community centre

FINANCIAL REVIEW

OVERVIEW

For the year ended 31 December 2014, the Group recorded a turnover of HK\$5,773 million (2013: HK\$5,686 million), representing an increase of 2%. Cost of sales increased from HK\$2,221 million to HK\$2,453 million, an increase of 10% over 2013. As a result, gross profit decreased from HK\$3,465 million to HK\$3,320 million, a decrease of 4%, and gross profit percentage was 58% (2013: 61%).

Included in the cost of sales were the cost of programmes, film rights and stocks which amounted to HK\$1,720 million (2013: HK\$1,494 million), an increase of 15% over 2013. The increase was largely driven by the costs for the broadcast of the World Cup which included the licence rights and the production costs of the World Cup related programmes.

Selling, distribution and transmission costs amounted to HK\$657 million (2013: HK\$626 million), an increase of 5% over 2013. The increase was due to higher staff costs in Hong Kong.

General and administrative expenses for the year amounted to HK\$839 million (2013: HK\$735 million), representing an increase of 14% over last year. The increase was due to higher staff costs.

Other losses amounted to HK\$86 million (2013: other gains HK\$7 million) were incurred in the year. This was mainly caused by a HK\$73 million loss on liquidation of subsidiaries relating to the overseas pay TV operations following the discontinuance of the satellite distribution business model to an IP-based TV services.

During the year, the Group shared losses of HK\$72 million of TVBPVH. When compared with the losses shared of HK\$53 million for the year ended 31 December 2013, the increase in shared losses was due to a higher programme cost.

Further to a review of the recoverability of the loan and trade receivables from TVBPVH at 31 December 2014, no additional impairment loss was required in the Group's financial statements for the year.

Profit before income tax for the year amounted to HK\$1,736 million (2013: HK\$2,121 million), a decrease of 18% over 2013.

The Group's taxation charge amounted to HK\$317 million (2013: HK\$358 million), a decrease of 12% over 2013. The Group's major subsidiaries operate in the countries whose effective rates vary from 0% to 41%.

Overall, the Group's profit attributable to equity holders for the year amounted to HK\$1,410 million (2013: HK\$1,738 million), a decrease of 19% over 2013. The earnings per share was HK\$3.22 (2013: HK\$3.97).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting, which comprised advertising revenue from the Group's free TV channels and the pay TV channels continued to grow. The revenue of this segment grew from HK\$3,322 million to HK\$3,420 million, representing an increase of 3%. The increase in advertising revenue was partly offset by the increases in operating costs which included, principally, cost of programmes and staff costs. The increase in programme costs was mainly due to the licence rights and the production costs of the World Cup related programmes. Staff costs increase was due to the increase in headcounts, and the salary increments given to counter inflation and market competition. As a result, this segment recorded a profit of HK\$947 million (2013: HK\$1,182 million), representing a decrease of 20%.

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, increased from HK\$1,072 million to HK\$1,085 million, representing an increase of 1%. The increase in revenue was mainly attributable to increased licence fees from Singapore and Mainland China, offset by the decrease in sharing of advertising revenue in Malaysia. Operating costs, principally programme production costs for Mainland China, staff costs and legal expenses increased during the year. As a result, this segment recorded a profit of HK\$619 million (2013: HK\$639 million), representing a decrease of 3%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and Europe, decreased from HK\$308 million to HK\$243 million, representing a decrease of 21%. The decrease in revenue was mainly due to the adverse impact on subscription revenue caused by pirated TV contents overseas. For the purposes of transforming the business model for the pay TV services in Europe from satellite distribution to an IP-based TV service, it was decided to discontinue the operation of certain subsidiaries, resulting a loss on liquidation of subsidiaries of HK\$73 million. As a result, the segment recorded a loss of HK\$100 million (2013: profit of HK\$14 million).

Revenue from Taiwan operations which comprised both subscription and advertising revenue from distribution of the TVBS channels in Taiwan and programme and channel distribution in overseas markets increased from HK\$834 million to HK\$866 million, representing an increase of 4%. Increase in programme production costs, staff costs and depreciation contributed to an overall increase in operating costs. For the year, the segmental profit increased from HK\$246 million to HK\$253 million, representing an increase of 3%.

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK\$132 million to HK\$125 million, representing a decrease of 6%. The segmental profit decreased from HK\$44 million to HK\$32 million, representing a decrease of 26%, which was mainly caused by the decrease in revenue and increase in operating costs, primarily programme costs and staff expenses.

Revenue from Hong Kong digital media business and other activities which comprised revenue from Internet operations, magazine publishing and production of musical works, recorded an increase from HK\$222 million to HK\$270 million, representing an increase of 22%. Benefiting from the satisfactory contribution from the Internet operations, the segmental profit increased from HK\$52 million to HK\$64 million, representing an increase of 24%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2014. Total equity stood at HK\$8,704 million (2013: HK\$8,427 million), representing an increase of 3%. In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. At 31 December 2014, the capital structure of the Company comprising 438,000,000 ordinary shares, and there has been no change in the share capital of the Company.

At 31 December 2014, the Group had unpledged bank and cash balances of HK\$3,332 million (2013: HK\$2,900 million), representing an increase of 15%. Out of the unpledged bank and cash balances, 24% were in Hong Kong dollars, 24% in US dollars, 41% in Renminbi and 11% in other currencies. About 26% of the unpledged bank and cash balances (approximately HK\$883 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations was placed as time deposits with banks and short term certificates of deposit.

Trade receivables from third parties amounted to HK\$1,551 million (2013: HK\$1,519 million) increased by 2% over the last year end. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

At 31 December 2014, the Group's net current assets amounted to HK\$5,314 million (2013: HK\$4,657 million), representing an increase of 14%. The current ratio, expressed as the ratio of current assets to current liabilities was 5.0 at 31 December 2014 (2013: 3.8).

FINANCIAL REVIEW

During the year, the Group's total borrowings increased by 55% to HK\$392 million (2013: HK\$252 million), which relates to secured bank loans denominated in New Taiwan dollars and floating interest bearing. At 31 December 2014, the maturity profile of the Group's borrowing was as follows: within one year, HK\$98 million (25%); in the second year, HK\$10 million (2%); in the third to fifth years, HK\$176 million (45%); over five years, HK\$108 million (28%). At 31 December 2014, the gearing ratio, expressed as a ratio of gross debts to total equity, was 4.5% (2013: 3.0%).

At 31 December 2014, certain assets of a subsidiary of the Group with net asset value of HK\$720 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits and cash kept at banks of HK\$9 million were pledged to secure banking facilities granted to certain subsidiaries of the Group.

The capital commitments of the Group at 31 December 2014 were HK\$860 million (2013: HK\$1,245 million), representing a decrease of 31%. The decrease was mainly due to the modification of the final design plan of Linkou headquarters.

TAX AUDIT

In 2004, the Inland Revenue Department of Hong Kong ("IRD") initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the ten consecutive years of assessment from 1998/99 to 2007/08 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$24 million, HK\$24 million, HK\$20 million, HK\$35 million, HK\$49 million, HK\$54 million, HK\$56 million, HK\$57 million, HK\$51 million and HK\$41 million for the ten consecutive years of assessment from 1998/99 to 2007/08 respectively. The total amount of tax reserve certificates purchased by the Group in respect of the tax audit was HK\$411 million.

In December 2014, the Group reached a settlement with the IRD on the tax audit, covering the years of assessment 1998/99 to 2012/13. The total additional tax payable under the settlement is HK\$351 million. A refund of the tax reserve certificates over-purchased of HK\$60 million plus the interest thereon is expected to be received subsequent to the year end.

FINANCIAL GUARANTEES

At 31 December 2014, there were guarantees given to banks amounting to HK\$22 million (2013: HK\$9 million) for banking facilities granted to an investee company and a joint venture.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

During 2014, the departure of our talent and production staff as a result of new start up in Hong Kong has eased, and through improvements in salaries and wages over the years, the production workforce has been stabilised.

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 5,273 (2013: 5,070) full-time employees at 31 December 2014.

For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. About 25% of the Group's manpower was employed in overseas subsidiaries, and was paid on a scale and system relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. All qualified personnel received discretionary bonuses average 1.5 of their monthly basic salaries for the year 2014.

The Group does not operate any employee share option scheme.

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

COMMENDATIONS AND AWARDS



2014 New York Festivals International Television & Film Awards

CNY Image 2013
Finalist in Station/Image Promotion category



2014 New York Festivals International Television & Film Awards

Sunday Report: Re-education Through Labour
Finalist in Legal Issues category



2014 New York Festivals International Television & Film Awards

Movers And Shakers
Finalist in Information/Magazine Programme Promotion category



2014 International Emmy Awards

Sunday Report: One Child Policy
Nominee in Current Affairs category



2014 PromaxBDA Asia Awards

Surviving SARS
Best News/Current Affairs Promo category
Gold Award



2014 PromaxBDA Asia Awards

Tycoon Talk
Best Entertainment/Variety Promo category
Gold Award



2014 New York Festivals International Television & Film Awards

Miss Hong Kong Pageant 2013
 Best Production Design/Art Direction category
 Silver World Medal



19th Asian Television Awards 2014

Kristal Tin in "Brother's Keeper"
 Highly Commended in Best Actress in a Leading Role



19th Asian Television Awards 2014

Kong May-ye, Elena in "Triumph In The Skies II"
 Highly Commended in Best Actress in a Supporting Role



2014 PromaxBDA Promotion, Marketing and Design Global Excellence Awards

Miss Hong Kong Pageant 2013
 Set Design category
 Gold Award



2014 PromaxBDA Promotion, Marketing and Design Global Excellence Awards

TVB Most Popular TV Commercial Awards 2013
 Total Package Design: Print Only – Channel or Programme category
 Bronze Award

RATINGS HIGHLIGHTS



Top 5 TVB Dramas Consolidated Ratings



Line Walker

30 TVRs



Gilded Chopsticks

30 TVRs



Rear Mirror

29 TVRs



Storm In A Cocoon

28 TVRs



Come On, Cousin

28 TVRs

Top 5 TVB Non-Dramas Consolidated Ratings



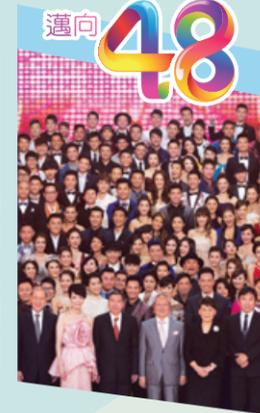
TV Awards Presentation 2014

32 TVRs



Miss Hong Kong Pageant 2014 - Final

26 TVRs



TVB 47th Anniversary Gala

26 TVRs



Walk The Walk, Talk The Talk

25 TVRs



Good Cheap Eats (Sr. 2)

23 TVRs

Top 10 English Programmes TV Ratings



TM & ©2012 Marvel & Subs.

Marvel's The Avengers

7.6 TVRs



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Harry Potter and the Deathly Hallows™ Part 1

7.2 TVRs



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Harry Potter and the Order of the Phoenix™

6.8 TVRs



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Harry Potter and the Deathly Hallows™ Part 2

6.8 TVRs



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Life of Pi

6.8 TVRs



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Transformers Dark of the Moon

6.8 TVRs



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X-Men Character Likenesses TM & © 2009 Marvel Characters, Inc. All Rights Reserved.

X-Men Origins: Wolverine

6.4 TVRs



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Skyfall

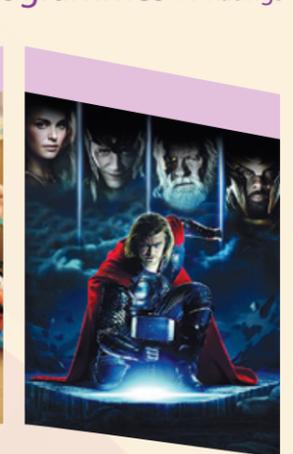
6.2 TVRs



© Disney/ Pixar

Toy Story 3

6.1 TVRs



© Marvel

Thor

6.0 TVRs

1. Consolidated rating is defined as the summation of TV rating and online catch-up rating.
2. TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2014, the total TV population comprises 6,494,000 viewers, and therefore, 1 TVR represents 64,940 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.

3. Online catch-up rating is defined as an aggregate catch-up rating of web and mobile apps platforms. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,940 viewers.





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CORPORATE GOVERNANCE

DIRECTORS

Dr. Charles CHAN Kwok Keung

Chairman (appointed on 1 January 2015)

Non-executive Director

Chairman of Executive Committee (appointed on 1 January 2015)

Member of Remuneration Committee (appointed on 11 February 2015)



Aged 60, was appointed as a Non-executive Director of the Company on 1 April 2011. Dr. Chan was appointed as the Chairman of the Board and the chairman of the Executive Committee on 1 January 2015 and as a member of the Remuneration Committee on 11 February 2015. Dr. Chan holds an Honorary degree of Doctor of Laws and Bachelor's degree in Civil Engineering, and has over 30 years' international corporate management experience in the construction and property sectors, as well as in strategic investments. He is the chairman and executive director of ITC Corporation Limited ("ITC"). He retired as a non-executive director of PYI Corporation Limited ("PYI") on 5 September 2014. Both ITC and PYI are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Dr. Chan is a director of both Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.

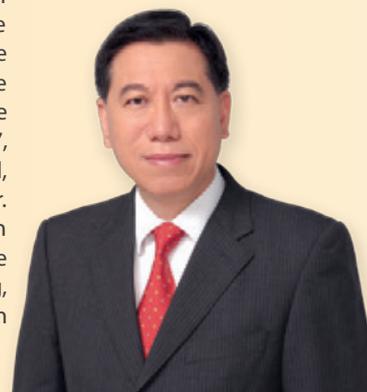
Mark LEE Po On

Executive Director and Group Chief Executive Officer

(re-titled as Group Chief Executive Officer on 1 January 2015)

Member of Executive Committee

Aged 59, joined the Company in February 2007. Mr. Lee was appointed as Group General Manager in September 2009, appointed as Executive Director in March 2010, re-titled as the Group Chief Executive Officer in January 2015. Mr. Lee serves as a member of the Executive Committee and holds directorships in a number of the subsidiaries of the Company. Mr. Lee is a non-executive director of Hanwell Holdings Limited, a company listed on the Singapore 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 member of the Institute of Chartered Accountants in England and Wales and also the Hong Kong Institute of Certified Public Accountants.



CHEONG Shin Keong

Executive Director (appointed on 1 January 2015)

Member of Executive Committee (appointed on 1 January 2015)

General Manager



Aged 58, was appointed as an Executive Director of the Company and a member of the Executive Committee on 1 January 2015. He joined the Company as Controller, Marketing & Sales in March 1989. Mr. Cheong assumed the duties of General Manager in April 2004 and is responsible for marketing and sales function under Hong Kong TV broadcasting, as well as the Hong Kong digital media business. He holds directorships in a number of the subsidiaries of the Company. 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 and a Fellow of the Chartered Institute of Marketing.

Mona FONG

Non-executive Director
Member of Executive Committee



Aged 80, also known as Lee Mong Lan and wife of the late Sir Run Run Shaw, has been a Director of the Company since October 1988. She was appointed as Deputy Chairperson on 25 October 2000, as Acting Managing Director and Managing Director on 31 May 2006 and 1 January 2009 respectively. Ms. Fong retired as Deputy Chairperson and Managing Director of the Company on 31 March 2012 and was re-designated as a Non-executive Director of the Company with effect from 1 April 2012. She also serves as a member of the Executive Committee. Ms. Fong is the chairperson and managing director of the Shaw group of companies. She is also the chairperson of The Shaw Foundation Hong Kong Limited, The Shaw Prize Foundation Limited and The Sir Run Run Shaw Charitable Trust and a member of the Board of Trustees of Shaw College of The Chinese University of Hong Kong.

Cher WANG Hsiueh Hong

Non-executive Director

Aged 56, was appointed as a Non-executive Director of the Company on 1 April 2011. Ms. Wang has established a number of successful IT-related businesses, and is currently chairman of three Taiwan-listed companies, and on the board of directors of or advisor to numerous other companies. She founded VIA Technologies, Inc., a semiconductor design house, in 1987; she is also co-founder and chairman of HTC Corp., which was established in 1997, and is a multibillion dollar global company that develops the most innovative smart phones on the market. Ms. Wang is also chairman of Chander Electronics Corp.. All of the above three companies are listed in Taiwan. Ms. Wang is an Industry Partner in the World Economic Forum and is an APEC Business Advisory Council member. Ms. Wang is the wife of Mr. Chen Wen Chi, a Non-executive Director of the Company.



DIRECTORS

Jonathan Milton NELSON

Non-executive Director

Aged 58, was appointed as a Non-executive Director of the Company on 1 April 2011. Mr. Nelson is the chief executive officer and the founder of Providence Equity Partners L.L.C. (together with its affiliated investment funds, "Providence"), a private equity firm that manages US\$43 billion of committed capital. Mr. Nelson has been investing in private equity transactions for 32 years, focusing on media, telecom, and entertainment sectors. Mr. Nelson serves on the board of directors of Soccer United Marketing, LLC, and Univision Communications, Inc. Mr. Nelson has also served as a director of the following listed companies: AT&T Canada, Brooks Fiber Properties, Inc. (now Verizon Communication Inc.), Eircom Group plc, Voicestream Wireless Corporation (now Deutsche Telekom), Warner Music Group, Wellman Inc. and Western Wireless Corporation (now Alltel Corp.) as well as numerous privately-held companies affiliated with Providence Equity Partners Inc. and Narragansett Capital, Inc. Previously, Mr. Nelson was a managing director of Narragansett Capital, Inc. which he joined in 1983. Mr. Nelson received a Master of Business Administration from the Harvard Business School in 1983, and a Bachelor of Arts from Brown University in 1977. He is a trustee of Brown University and The Rockefeller University, and a member of the Board of Dean's Advisors at Harvard Business School.



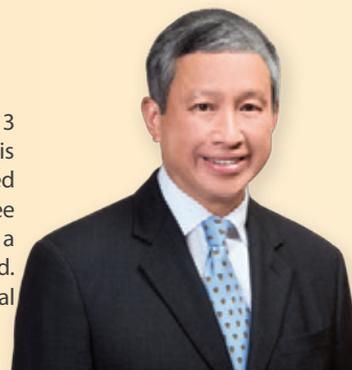
Anthony LEE Hsien Pin

Non-executive Director

Member of Audit Committee (appointed on 15 May 2014)

Member of Nomination Committee

Aged 57, was appointed as a Non-executive Director of the Company with effect from 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, between 3 September 2002 and 3 February 2012, the date on which Mrs. Lee retired as a Non-executive Director of the Company. Mr. Lee serves as a member of Audit Committee and Nomination Committee. Mr. Lee is a director of Hysan Development Company Limited, a company listed on 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.



CHEN Wen Chi

Non-executive Director

Member of Executive Committee

Aged 59, was appointed as a Non-executive Director of the Company with effect from 3 February 2012. Mr. Chen was an Alternate Director to his wife, Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, between 13 May 2011 and 3 February 2012, the date on which he ceased to act. He serves as a member of the Executive Committee and holds directorships in certain subsidiaries of the Company in Taiwan. Mr. Chen is a director of both VIA Technologies, Inc. and HTC Corp., as well as the chairman of Xander International Corporation. Shares of all of the above three companies are listed in Taiwan. Mr. Chen has been the president and the CEO of VIA Technologies, Inc. since 1992. 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 both Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.





Dr. Raymond OR Ching Fai SBS, JP

Independent Non-executive Director

Chairman of Remuneration Committee (appointed on 15 May 2014)

Chairman of Nomination Committee (appointed on 1 March 2015)

Member of Audit Committee (appointed on 15 May 2014)

Aged 65, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. He serves as the chairman of Remuneration Committee and Nomination Committee, and a member of Audit Committee. Dr. Or is the chairman, an executive director and the chief executive officer of China Strategic Holdings Limited, a vice-chairman and an independent non-executive director of G-Resources Group 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 and Industrial and Commercial Bank of China Limited, all of which are listed on the Stock Exchange. Dr. Or was the deputy council chairman of the Council of City University of Hong Kong, and a vice patron of the board of the Community Chest of Hong Kong. He has rich experiences in the insurance, banking and financial services industries. He was 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. He was a director of Cathay Pacific Airways Limited and a director of Hutchison Whampoa Limited. Dr. Or graduated from the University of Hong Kong with a Bachelor's degree in Economics and Psychology. 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

Independent Non-executive Director (appointed on 11 February 2015)

Chairman of Audit Committee (appointed on 11 February 2015)

Member of Remuneration Committee (appointed on 11 February 2015)

Member of Nomination Committee (appointed on 11 February 2015)

Aged 54, was appointed as an Independent Non-executive Director of the Company on 11 February 2015. He serves as the chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He has held senior positions in the past in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited and South China Media Group. He is currently the vice chairman of Lovable International Holdings Limited which owns one of the largest toys and children products distribution network in China. Dr. Lo graduated from Cambridge University with a M.Phil. degree in Pharmacology and a Ph.D. degree in Molecular Neuroscience in the 80's. He started his career in McKinsey & Company Inc. as a management consultant. Dr. Lo currently serves as an independent non-executive director of a number of public companies listed on the Main Board of the Stock Exchange, including CSI Properties Limited, SITC International Holdings Company Limited, Varitronix International Limited, International Housewares Retail Company Limited and Jingrui Holdings Limited. He is also an independent non-executive director of a New York Stock Exchange listed company, Nam Tai Property, Inc. and a Singapore Stock Exchange listed company, E2-Capital Holdings Limited. He resigned as a non-executive director of South China Land Limited on 19 March 2014, which is listed on the GEM Board of the Stock Exchange and resigned as an independent non-executive director of LZYE Group Plc (now known as MNC Strategic Investments Plc) on 15 November 2013, which is listed on the Alternative Investment Market of the London Stock Exchange. Dr. Lo is also 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

Dr. Allan YAP

Alternate Director to Dr. Charles Chan Kwok Keung



Aged 59, was appointed as an Alternate Director to Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, on 10 June 2011. Dr. Yap holds an honorary degree of Doctor of Laws and has over 30 years' experience in finance, investment and banking. Dr. Yap is the chairman and executive director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited, the securities of which are listed on the Main Board of the Stock Exchange. Dr. Yap is also the chairman and chief executive officer of China Enterprises Limited, the securities of which are traded on the OTC Securities Market in the USA, as well as Burcon NutraScience Corporation, the securities of which are listed on the NASDAQ Stock Market in the USA, the Toronto Stock Exchange in Canada and the Frankfurt Stock Exchange in Germany. Dr. Yap is the executive chairman of Hanwell Holdings Limited and Tat Seng Packaging Group Ltd., the securities of which are listed on the Singapore Exchange Limited.

Harvey CHANG Hsiao Wei

Alternate Director to Cher Wang Hsiueh Hong

Aged 63, was appointed as an Alternate Director to Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company, on 3 February 2012. Mr. Chang holds directorships in certain subsidiaries of the Company in Taiwan. Mr. Chang is a director of CX Technology Corp. and Lite-On Technology Corp., both are listed companies in Taiwan, and Phu Hung Securities Corp., a company listed in Vietnam. He was president and CEO of Taiwan Mobile Co., Ltd., a listed company in Taiwan, from 2003 till December 2010, vice chairman of Taiwan Fixed Network Co., Ltd., which is a subsidiary of Taiwan Mobile Co., Ltd.. He was the chairman of Taiwan Fund, Inc., a listed company on New York Stock Exchange, from 2005 to January 2012. Mr. Chang received his MBA from the Wharton School, University of Pennsylvania in 1977; and B.S. degree from the National Taiwan University in 1973. He was elected to be an Eisenhower Fellow in 2002.



Jessica Huang POULEUR

Alternate Director to Jonathan Milton Nelson (appointed on 14 July 2014)

Aged 34, was appointed as an Alternate Director to Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, on 14 July 2014. Ms. Pouleur is an investment professional and a director based in Singapore office of Providence Equity Asia Advisors Pte. Ltd.. Prior to joining Providence Equity Asia Limited in 2007, Ms. Pouleur was a manager at AIG Global Investment Group as part of their Greater China private equity coverage team. Before that, she was an analyst in the Asia Debt Capital Markets and healthcare investment banking groups at Citigroup. Ms. Pouleur received a Bachelor of Arts from Barnard College. Ms. Pouleur is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited which are substantial shareholders of the Company.



SENIOR MANAGEMENT



Peter AU Wai Lam

Assistant General Manager

Aged 66, rejoined TVB as Operation Audit Manager – Internal Audit Department in May 2008. He was appointed as Controller – Costs Management in January 2009 and promoted to Assistant General Manager in September 2009. Mr. Au is in charge of programming and production in TVB, and has many years of experience in programme production and broadcasting. Between 2000 and 2005, Mr. Au was chief executive officer of Toronto Chinese Canadian Broadcasting Corporation, Canada. Prior to 2000, he took up a number of positions at TV stations in Hong Kong, including TVB and Radio Television Hong Kong, and Canadian Television Network in Canada. Mr. Au holds directorships in a number of the subsidiaries of the Company.

Desmond CHAN Shu Hung

Assistant General Manager

Aged 47, joined TVB as General Counsel in May 2010. He was appointed as Assistant General Manager in December 2012 and is responsible for international operations and legal and regulatory matters of the Company. Mr. Chan has 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). Mr. Chan holds directorships in a number of the subsidiaries of the Company.



Adrian MAK Yau Kee

Chief Financial Officer and Company Secretary

Aged 54, joined TVB as Chief Financial Officer and Company Secretary in November 2004. 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. Prior to his current position, Mr. Mak was the chief financial officer of Global Digital Creations Holdings Limited. Between 1992 and 2000, Mr. Mak was an associate director of the Corporate Finance Division at the Securities and Futures Commission. During 1983 to 1992, Mr. Mak worked at various offices of KPMG. He holds directorships in a number of the subsidiaries of the Company.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014.

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 major subsidiaries are detailed in Note 40 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 RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 90.

Movements in the reserves of the Group and of the Company during the year are set out in Note 20 to the consolidated financial statements on pages 138 to 139.

Distributable reserves of the Company amounted to HK\$6,181,289,000 as at 31 December 2014 (2013: HK\$6,399,072,000).

FINAL DIVIDEND AND SPECIAL DIVIDEND

Based on the full-year results, the Directors have recommended a final dividend of HK\$2.00 per share to shareholders. Together with the interim dividend paid of HK\$0.60 per share, this will give a total dividend of HK\$2.60 per share for the full year ended 31 December 2014. Based on the disposal of 53% in the shareholding in TVBS, the Directors have further recommended a special dividend of HK\$2.30 per share, which is based on the net proceeds from the said disposal (after deducting all expenses arising from and/or incidental to the said disposal and all applicable taxes payable from the total consideration), to shareholders.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 20 May 2015 ("2015 AGM"), the final dividend and the special dividend shall be paid to shareholders whose names are recorded on the Register of Members of the Company on 28 May 2015. Dividend warrants for the final dividend and the special dividend will be despatched to shareholders on or around 8 June 2015.

CLOSURE OF REGISTER OF MEMBERS

FIRST BOOK CLOSE

The Register of Members of the Company will be closed from Wednesday, 29 April 2015 to Wednesday, 20 May 2015, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' attendance and voting entitlement at the 2015 AGM.

During the First Book Close Period, no transfer of shares will be registered. In order to qualify for shareholders' attendance and voting entitlement at the 2015 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 April 2015.

SECOND BOOK CLOSE

The Register of Members of the Company will be re-opened on Thursday, 21 May 2015 and then will be closed again from Wednesday, 27 May 2015 to Thursday, 28 May 2015, 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 qualify for entitlement 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 Tuesday, 26 May 2015.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$432,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 19 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mark Lee Po On
Cheong Shin Keong (appointed on 1 January 2015)

NON-EXECUTIVE DIRECTORS

Charles Chan Kwok Keung (appointed as Chairman on 1 January 2015)
Mona Fong
Cher Wang Hsiueh Hong
Jonathan Milton Nelson
Anthony Lee Hsien Pin
Chen Wen Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Or Ching Fai
William Lo Wing Yan (appointed on 11 February 2015)

ALTERNATE DIRECTORS

Allan Yap Alternate Director to Charles Chan Kwok Keung
Harvey Chang Hsiao Wei Alternate Director to Cher Wang Hsiueh Hong
Jessica Huang Pouleur Alternate Director to Jonathan Milton Nelson (appointed on 14 July 2014)

RETIRED AND RESIGNED DIRECTORS

Kevin Lo Chung Ping (retired on 15 May 2014)
Chien Lee (retired on 15 May 2014)
Sun Tao (ceased as an Alternate Director to Jonathan Milton Nelson on 14 July 2014)
Norman Leung Nai Pang (retired on 1 January 2015)
Gordon Siu Kwing Chue (resigned on 1 January 2015)
Edward Cheng Wai Sun (resigned on 1 January 2015)
Chow Yei Ching (resigned on 1 March 2015)

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

Each of Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong, Mr. Jonathan Milton Nelson ("Mr. Nelson"), Dr. Chow Yei Ching and Mr. Gordon Siu Kwing Chue, who retired at the annual general meeting of the Company held on 15 May 2014 ("2014 AGM"), was successfully re-elected as Directors of the Company at the 2014 AGM.

On 15 May 2014, Mr. Kevin Lo Chung Ping retired as a Non-executive Director of the Company at the conclusion of the 2014 AGM, and Mr. Chien Lee retired as an Independent Non-executive Director of the Company at the conclusion of the 2014 AGM.

On 14 July 2014, Ms. Jessica Huang Pouleur was appointed as an Alternate Director to Mr. Nelson in place of Mr. Sun Tao who ceased to act as an Alternate Director to Mr. Nelson on the same day.

On 1 January 2015, Dr. Norman Leung Nai Pang retired as the Executive Chairman of the Board and an Executive Director of the Company. On the same day, Mr. Gordon Siu Kwing Chue and Mr. Edward Cheng Wai Sun resigned as Independent Non-executive Directors of the Company.

On 1 January 2015, Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, was appointed as the Chairman of the Board, and Mr. Cheong Shin Keong was appointed as an Executive Director of the Company.

On 11 February 2015, Dr. William Lo Wing Yan was appointed as an Independent Non-executive Director of the Company.

On 1 March 2015, Dr. Chow Yei Ching resigned as an Independent Non-executive Director of the Company.

REPORT OF THE DIRECTORS

In accordance with Article 109 of the Company's articles of association ("Articles"), Mr. Cheong Shin Keong and Dr. William Lo Wing Yan, who were appointed by the Board on 1 January 2015 and 11 February 2015, respectively, will hold offices as Directors of the Company until the 2015 AGM and, being eligible, offer themselves for election at the 2015 AGM.

In accordance with Article 114(A) of the Articles, Ms. Mona Fong, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi will retire at the 2015 AGM and, being eligible, offer themselves for re-election at the 2015 AGM. Ms. Mona Fong, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi, who will retire at the 2015 AGM, have forwarded written notifications offering themselves for re-election at the 2015 AGM.

On 31 March 2015, the Company announced the appointment of Professor Caroline Wang Chia-Ling and Dr. Allan Zeman as Independent Non-executive

Directors of the Company with effect from 1 April 2015. In accordance with Article 109 of the Articles, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman will hold offices as Directors of the Company until the 2015 AGM and, being eligible, offer themselves for election at the 2015 AGM.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of Directors and members of Senior Management are set out on pages 46 to 51 of this Annual Report.

Details of the Directors, who are subject to retirement for election and re-election at the 2015 AGM, are set out in the notice of the 2015 AGM which is sent together with this Annual Report to the shareholders of the Company.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2014, the interests and short positions of the Directors in the shares of the Company and/or 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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

| Name of director | Number of ordinary shares held | | | | Total interests | Percentage of issued share capital (%) ^(a) |
|--|--------------------------------|------------------|---------------------------|-----------------|-----------------|---|
| | Personal interests | Family interests | Corporate interests | Other interests | | |
| Charles Chan Kwok Keung | – | – | 113,888,628 | – | 113,888,628 | ^{#(b)(g)} 26.00 |
| Cher Wang Hsiueh Hong | – | – | 113,888,628 | – | 113,888,628 | ^{#(c)(g)} 26.00 |
| Jonathan Milton Nelson | – | – | – | 113,888,628 | 113,888,628 | ^{#(d)(g)} 26.00 |
| Chen Wen Chi | – | 113,888,628 | – | – | 113,888,628 | ^{#(e)(g)} 26.00 |
| Mona Fong | 1,146,000 | – | 15,950,200 ^(f) | – | 17,096,200 | ^(g) 3.90 |
| Mark Lee Po On | – | 438,000 | – | – | 438,000 | ^(g) 0.10 |
| Chow Yei Ching (resigned on 1 March 2015) | 100,000 | – | – | – | 100,000 | ^(g) 0.02 |

Notes:

Duplication of shareholdings occurred between parties¹ shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 31 December 2014:

- (a) Shareholding percentage in the issued 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 held through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers is an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which is 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) Ms. Cher Wang Hsiueh Hong was deemed to be interested in these 113,888,628 shares of the Company which Profit Global Investment Limited ("Profit Global") was interested in. Profit Global, in which Ms. Wang indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (d) Mr. Jonathan Milton Nelson was deemed to be interested in these 113,888,628 shares of the Company which P6 YL Holdings Limited ("P6YL") was interested in. P6YL, in which Mr. Nelson indirectly holds an interest, is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (e) Mr. Chen Wen Chi was deemed to be interested in these 113,888,628 shares of the Company. Such share interest is indirectly held by his spouse, Ms. Cher Wang Hsiueh Hong through Profit Global, in which Ms. Wang indirectly holds an interest. Profit Global is a party of the investor group which indirectly held the said shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH.
- (f) These 15,950,200 shares of the Company were held by The Shaw Foundation Hong Kong Limited ("Shaw Foundation"). Shaw Holdings Inc. ("Shaw Holdings") holds 100% equity interest in Shaw Foundation. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (g) The interests held by these Directors represented long positions.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

| Name of associated corporation | Name of director | Number of ordinary shares held | | | | Total interests | Percentage of issued share capital (%) ^(a) |
|--------------------------------|------------------|--------------------------------|------------------|---------------------|-----------------|----------------------|---|
| | | Personal interests | Family interests | Corporate interests | Other interests | | |
| Concept Legend Limited | Mona Fong | – | – | 1 | – | 1 ^{(b)(d)} | 50.00 |
| Wealth Founder Limited | Mona Fong | – | – | 67 | – | 67 ^{(c)(d)} | 67.00 |

Notes:

At 31 December 2014:

- (a) Percentage of issued share capital of associated corporation was based on the total number of ordinary shares of each of the associated corporations of the Company in issue.
- (b) This one share of Concept Legend Limited ("Concept Legend") was held by Shaw Productions Limited ("Shaw Productions"). Shaw Holdings holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (c) These 67 shares of Wealth Founder Limited were held by Concept Legend, in which Shaw Productions holds 50% equity interest. Shaw Holdings holds 100% equity interest in Shaw Productions. Ms. Mona Fong exerts 100% control over Shaw Holdings through The Sir Run Run Shaw Charitable Trust.
- (d) The interests held by Ms. Mona Fong represented long positions.

REPORT OF THE DIRECTORS

Save for the information disclosed above, at 31 December 2014, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

The Company and any of its subsidiaries did not operate any employee share option scheme, and therefore, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2014, the interests or short positions of the persons (other than the Directors or chief executive of the Company) in the shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

| Name | Number of ordinary shares held | Percentage of issued share capital (%) ^(a) |
|--|--------------------------------------|--|
| Shaw Brothers Limited ^(b) | 113,888,628 # ^{(c)(f)(h)} | 26.00 |
| Young Lion Holdings Limited | 113,888,628 # ^{(c)(f)(h)} | 26.00 |
| Kun Chang Investment Co. Ltd. | 113,888,628 # ^{(d)(h)} | 26.00 |
| Profit Global Investment Limited | 113,888,628 # ^{(d)(f)(h)} | 26.00 |
| Providence Holdco (International) GP Ltd. | 113,888,628 # ^{(e)(h)} | 26.00 |
| Providence Fund Holdco (International) L.P. | 113,888,628 # ^{(e)(h)} | 26.00 |
| PEP VI International Ltd. | 113,888,628 # ^{(e)(h)} | 26.00 |
| Providence Equity GP VI International L.P. | 113,888,628 # ^{(e)(h)} | 26.00 |
| Providence Equity Partners VI International L.P. | 113,888,628 # ^{(e)(h)} | 26.00 |
| P6 YL Holdings Limited | 113,888,628 # ^{(e)(f)(h)} | 26.00 |
| Matthews International Capital Management, LLC | 48,184,033 ^{(g)(h)} | 11.00 |
| Dodge & Cox | 40,163,800 ^{(g)(h)} | 9.17 |
| Silchester International Investors LLP | 26,340,300 ^{(g)(h)} | 6.01 |

Notes:

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

At 31 December 2014:

- (a) Shareholding percentage in the issued 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 is an indirect wholly-owned subsidiary of YLH.
- (c) YLH was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which is an indirect wholly-owned subsidiary of YLH which is controlled by Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, through IVH. On 23 November 2011, the Company was informed that IVH had been added in the shareholding structure as an intermediate company controlled by Dr. Charles Chan Kwok Keung to hold the controlling interest in YLH.

- (d) Profit Global was deemed to be interested in the 113,888,628 shares of the Company. Profit Global is controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Cher Wang Hsiueh Hong, a Non-executive Director of the Company.
- (e) P6YL was deemed to be interested in the 113,888,628 shares of the Company. P6YL is controlled by Providence Holdco (International) GP Ltd. through its direct and indirect wholly-owned subsidiaries. P6YL is a wholly-owned subsidiary of Providence Equity Partners VI International L.P., which is in turn a wholly-owned subsidiary of Providence Equity GP VI International L.P. Providence Equity GP VI International L.P. is a wholly-owned subsidiary of PEP VI International Ltd., which is in turn a wholly-owned subsidiary of Providence Fund Holdco (International) L.P. Mr. Jonathan Milton Nelson, a Non-executive Director of the Company, holds controlling interests in P6YL through Providence Holdco (International) GP Ltd. and its subsidiaries as abovementioned.
- (f) Dr. Charles Chan Kwok Keung, Profit Global, P6YL, YLH, Young Lion Acquisition Co. Limited, IVH, Clear Water Bay Land Company Limited and Shaw Brothers are parties of an agreement to acquire the interest in the 113,888,628 shares in the Company. This agreement is an agreement to which Section 317(1)(a) of the SFO applies.
- (g) Interests were held in the capacity of investment managers.
- (h) The interests held by these persons represented long positions.

Save for the information disclosed above, at 31 December 2014, 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 of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO or as otherwise notified the Company.

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")

As announced on 21 February 2013, the Company and TVB.COM Limited ("TVB.COM"), an indirect wholly-owned subsidiary of the Company, entered into several agreements on 21 February 2013 (including the tenancy agreements, colocation agreement, Internet protocol telephone licence and parking licences, collectively, "Shaw Agreements") with Shaw for the lease of certain properties at Shaw Moviecity, a property located at 201 Wan Po Road, Tseung Kwan O, Kowloon, Hong Kong, which is wholly-owned by Shaw, and for various facilities services, on such terms and conditions as stipulated in the Shaw Agreements. At the date of entering into the Shaw Agreements, Shaw was an associate of Ms. Mona Fong, a Non-executive Director of the Company. Therefore, the

entering into the Shaw Agreements 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 Shaw Agreements are as follows:

- (a) On 21 February 2013, the Company and Shaw 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 2013 to 31 January 2016. The rent and related expenses incurred by the Company during 2014 were HK\$3,102,000.
- (b) On 21 February 2013, TVB.COM and Shaw 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 2013 to 31 January 2016. The rent and related expenses incurred by TVB.COM during 2014 were HK\$3,718,000.

REPORT OF THE DIRECTORS

- (c) On 21 February 2013, TVB.COM and Shaw entered into 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 2013 to 31 January 2016. The rent and related expenses incurred by TVB.COM during 2014 were HK\$2,107,000.
- (d) On 21 February 2013, TVB.COM and Shaw entered into a colocation services agreement, pursuant to which TVB.COM agreed to engage colocation services from Shaw for storage of server equipment at Shaw Moviecity for a three year fixed term commencing from 1 February 2013 to 31 January 2016. The service fee incurred by TVB.COM during 2014 was HK\$5,040,000.
- (e) On 21 February 2013, TVB.COM and Shaw 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 at the offices at Shaw Moviecity which are occupied by TVB.COM as abovementioned. The licence fee incurred by TVB.COM during 2014 was HK\$342,000.
- (f) On 21 February 2013, the Company and Shaw entered into a parking licence, pursuant to which the Company agreed to obtain licence for designated car parking space(s) at Shaw Moviecity for a six month licence period from 1 February 2013 and renewable for every six months. The licence fee incurred by the Company during 2014 was HK\$15,000*.
- (g) On 21 February 2013, TVB.COM and Shaw 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 six month licence period from 1 February 2013 and renewable for every six months. The licence fee incurred by TVB.COM during 2014 was HK\$150,000*.

* As the annual amount of these transactions is immaterial, no itemised disclosure was made in the relevant announcement dated 21 February 2013.

- 2. Continuing connected transactions with MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS")

As announced on 22 March 2010, TVBI Company Limited ("TVBI"), a wholly-owned subsidiary of the Company, entered into binding principal terms with MBNS on 10 March 2010 in the form of a confirmation letter ("Short Form Agreement") relating to the granting of the rights by TVBI to MBNS to distribute certain programmes and the licensed channels in Malaysia and Brunei, and that TVB Satellite TV Entertainment Limited ("TVBSE"), a wholly-owned subsidiary of the Company, had been engaged by MBNS as an advertising agency for managing and selling of airtime on certain channels.

At the date of entering into the Short Form Agreement, MBNS was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries of the Company, the transactions contemplated under the Short Form Agreement, together constituted non-exempt continuing connected transactions for the Company which are subject to approval of the independent shareholders of the Company under the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 26 May 2010 and the relevant parties had signed the formal agreements ("MBNS Agreements") on 13 December 2010. The main MBNS agreement entered into between TVBI and MBNS; and the main advertising consultancy services agreement entered into between TVBSE and MBNS, both dated 13 December 2010 were expired on 31 January 2013. Details of the remaining MBNS Agreement are as follows:

The main NVOD/VOD agreement entered into between TVBI and MBNS dated 13 December 2010, on which TVBI agreed to grant to MBNS the exclusive right to transmit and exhibit certain licensed programmes on the Near Video On Demand (NVOD)/Video On Demand (VOD) Services on any platform owned or operated by MBNS or its affiliates within Malaysia and Brunei for a five year fixed term commencing from 1 January 2010 and expired on 31 December 2014. For the five year contract term, an independent financial adviser appointed for the transactions was of the view that it was in the benefit of the Company to lock-in a longer contract term of five years, which was in line with normal business practice, to ensure its continuous exposure in Malaysia and Brunei via a trusted partner in the absence of its own platform. The income accrued by TVBI during 2014 was HK\$57,941,000 (RM24,478,000).

3. Continuing connected transactions with Concept Legend Limited ("JV Company")

As announced on 26 March 2014, the Company and the JV Company agreed to enter into the framework agreements relating to motion picture production and acquisition of licence rights for the period from 1 April 2014 to 31 December 2015 ("Framework Agreements").

The JV Company is a joint venture company formed between the Company and Shaw Productions Limited ("Shaw Productions"). Shaw Productions is controlled by Ms. Mona Fong, a Director of the Company. The JV Company is therefore an associate of a Director, and hence is a connected person of the Company. The entering into the Framework Agreements 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 Framework Agreements are as follows:

- (a) On 26 March 2014, the Company entered into a framework service agreement with the JV Company, for the provision of various supporting facilities and services to the JV Company for the production of motion pictures, for a period from 1 April 2014 to 31 December 2015. The aggregate income from provision of services to the JV Company for 2014 was HK\$3,500,000.
- (b) On 26 March 2014, the Company further entered into a framework licence agreement with the JV Company, for the acquisition of the television broadcasting and transmission rights of motion pictures being or to be produced by the JV Company, for a period from 1 April 2014 to 31 December 2015. Under the framework licence agreement, the Company has been granted the right of first option to acquire licenses to broadcast, exhibit and to otherwise exploit the motion pictures via the Company's television channels and/or electronic media platforms. The aggregate cost for acquiring licence rights from the JV Company for 2014 was nil.

All of the Independent Non-executive Directors have reviewed the above transactions described in paragraphs 1 to 3 above, and confirmed that these transactions have been entered into (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 "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 57 to 59 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 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:

4. Transactions with MBNS

On 13 June 2013, TVBI entered into certain agreements ("New MBNS Agreements") to renew the arrangements under the MBNS Agreements for a term not exceeding three years. As at the date of the New MBNS Agreements, MBNS was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries of the Company, 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 2014, the transactions contemplated under the New MBNS 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.

REPORT OF THE DIRECTORS

Save as the information disclosed above, no other 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.

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 and any of its subsidiaries did not operate any employee share option scheme, and therefore, no share options have been granted to the Directors during the year.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 26 to the consolidated financial statements on page 149 of this Annual Report.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

As at 31 December 2014, the Group had provided financial assistance to, and guarantees given for facilities granted to certain affiliated companies amounted to HK\$1,350 million in aggregate exceeding 8% under the assets ratio defined under Rule 14.07 (1) of the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the proforma combined statement of financial position of and the Group's attributable interest in these affiliated companies as at 31 December 2014 were set out as follows:

| | Proforma combined HK\$'000 | The Group's attributable interest HK\$'000 |
|---------------------------------------|----------------------------------|---|
| Non-current assets | 122,770 | 108,054 |
| Current assets | 262,172 | 184,919 |
| Current liabilities | (743,474) | (611,275) |
| Net current liabilities | (481,302) | (426,356) |
| Total assets less current liabilities | (358,532) | (318,302) |
| Non-current liabilities | (755,496) | (673,314) |
| Net liabilities | (1,114,028) | (991,616) |

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 62 to 83 of this Annual Report.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 69 to 77.

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

During the year, 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 31 March 2015, there were 313 shareholders on the Company's register of members.

ARTICLES OF ASSOCIATION

The Company proposed to adopt a revised articles of association ("Revised Articles") at the 2015 AGM to bring the existing Articles in line with the changes made by the new companies law and recent changes to the Listing Rules and to update certain other provisions, to remove certain outdated provisions and consolidate all the previous amendments to the existing Articles. Full text of the Revised Articles and the relevant explanatory notes will be published in the Notice of the 2015 AGM and Explanatory Statement sent together with this Annual Report.

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 2014 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2015 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report (“CG Report”) has been prepared in accordance with the requirements set out in 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 responsible manner serves its long-term interests and those of the shareholders.

The Company has adopted its own code on corporate governance, the TVB Corporate Governance Code (“TVB CG Code”). The TVB CG Code summarises the

corporate governance practices adopted by the Board. These practices are in line with the requirements of the Listing Rules (including all code provisions and certain recommended best practices in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules). Further updates to the TVB CG Code has been made from time-to-time to reflect changes in code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (“CG Code”).

The Board monitors the Company’s progress on corporate governance practices and reviews the TVB CG Code from time-to-time to comply with the increasingly stringent regulatory requirements, and to meet the rising expectations of stakeholders.

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



COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company was in compliance with the code provisions of the CG Code during the year ended 31 December 2014, save for the fact that three Directors were not able to attend the 2014 AGM due to prior engagements in respect of code provision A.6.7 of the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (“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 (“TVB Code for Securities Transactions by Directors”).

Mr. Kevin Lo Chung Ping and Mr. Chien Lee, both retired as Non-executive Director and Independent Non-executive Director of the Company on 15 May 2014, confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the period between 1 January 2014 and 15 May 2014.

All other Directors (including the former Directors of the Company, namely Dr. Norman Leung Nai Pang who retired on 1 January 2015, Mr. Gordon Siu Kwing Chue and Mr. Edward Cheng Wai Sun, both resigned on 1 January 2015, and Dr. Chow Yei Ching who resigned on 1 March 2015) and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2014.

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 four Board Committees, namely the Executive Committee ("Executive Committee"), the Audit Committee ("Audit Committee"), the Remuneration Committee ("Remuneration Committee") and the Nomination Committee ("Nomination Committee").

The Board is responsible for performing the corporate governance duties to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and members of Senior Management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (where applicable) to employees and Directors; and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The composition of Board comprises executive directors and non-executive directors (including independent non-executive directors) which gives the Board a balance of skills and experience appropriate for the requirements of the Company's business. The high proportion of non-executive directors enables that there is a strong independent element on the Board, which can effectively exercise independent judgement, and that their views carry weight at Board meetings.

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:

On 15 May 2014, Mr. Kevin Lo Chung Ping retired as a Non-executive Director of the Company at the conclusion of the 2014 AGM and ceased to act as members of the Executive Committee and the Audit Committee on the same day.

On 15 May 2014, Mr. Chien Lee retired as an Independent Non-executive Director of the Company at the conclusion of the 2014 AGM and ceased to act as the chairman of the Remuneration Committee and a member of the Audit Committee on the same day.

On 15 May 2014, Mr. Anthony Lee Hsien Pin was appointed as a member of the Audit Committee.

On 15 May 2014, Dr. Raymond Or Ching Fai was appointed as a member of the Audit Committee, and the chairman of the Remuneration Committee. On 1 March 2015, he was also appointed as the chairman of the Nomination Committee.

On 14 July 2014, Ms. Jessica Huang Pouleur was appointed as an Alternate Director to Mr. Jonathan Milton Nelson in place of Mr. Sun Tao who ceased to act as an Alternate Director to Mr. Jonathan Milton Nelson on the same day.

On 1 January 2015, Dr. Norman Leung Nai Pang retired as the Executive Chairman of the Board and an Executive Director of the Company and he also ceased to act as the chairman of the Executive Committee on the same day.

On 1 January 2015, Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, was appointed as the Chairman of the Board and the chairman of the Executive Committee. On 11 February 2015, he was also appointed as a member of the Remuneration Committee.

On 1 January 2015, Mr. Cheong Shin Keong was appointed as an Executive Director of the Company and a member of the Executive Committee.

On 1 January 2015, Mr. Gordon Siu Kwing Chue resigned as an Independent Non-executive Director of the Company and he also ceased to act as the chairman of the Audit Committee and a member of the Remuneration Committee on the same day.

CORPORATE GOVERNANCE REPORT

On 1 January 2015, Mr. Edward Cheng Wai Sun resigned as an Independent Non-executive Director of the Company and he also ceased to act as a member of the Nomination Committee and a member of the Remuneration Committee on the same day.

On 11 February 2015, Dr. William Lo Wing Yan was appointed as an Independent Non-executive Director of the Company, a member and the chairman of the Audit Committee and a member of the Remuneration Committee and a member of the Nomination Committee.

On 1 March 2015, Dr. Chow Yei Ching resigned as an Independent Non-executive Director of the Company and he also ceased to act as the chairman of the Nomination Committee on the same day.

Save as disclosed in this paragraph, 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.

As of the date of this CG Report, the Board and its Committees comprises:

| Board of Directors | also serving: | Executive Committee | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---------------|---------------------|-----------------|------------------------|----------------------|
| Chairman and Non-executive Director | | | | | |
| Charles Chan Kwok Keung | | Chairman | – | Member | – |
| Executive Directors | | | | | |
| Mark Lee Po On | | Member | – | – | – |
| Cheong Shin Keong | | Member | – | – | – |
| Non-executive Directors | | | | | |
| Mona Fong | | Member | – | – | – |
| Cher Wang Hsiueh Hong | | – | – | – | – |
| Jonathan Milton Nelson | | – | – | – | – |
| Anthony Lee Hsien Pin | | – | Member | – | Member |
| Chen Wen Chi | | Member | – | – | – |
| Independent Non-executive Directors | | | | | |
| Raymond Or Ching Fai | | – | Member | Chairman | Chairman |
| William Lo Wing Yan | | – | Chairman | Member | Member |
| Alternate Directors | | | | | |
| Allan Yap | | n/a | n/a | n/a | n/a |
| Alternate Director to Charles Chan Kwok Keung | | | | | |
| Harvey Chang Hsiao Wei | | n/a | n/a | n/a | n/a |
| Alternate Director to Cher Wang Hsiueh Hong | | | | | |
| Jessica Huang Pouleur | | n/a | n/a | n/a | n/a |
| Alternate Director to Jonathan Milton Nelson | | | | | |

n/a: not applicable

Biographical information of Directors are set out on pages 46 to 50 of this Annual Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance¹ records of Directors at the Board and the Board Committees' meetings and annual general meeting in 2014 are set out below:

| Directors | Board meetings | Executive Committee meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meeting | 2014 AGM |
|---|-------------------|------------------------------|--------------------------|---------------------------------|------------------------------|----------|
| Charles Chan Kwok Keung ² | 7/10 ² | 10/11 | – | – | – | 1/1 |
| Mark Lee Po On | 10/10 | 11/11 | – | – | – | 1/1 |
| Cheong Shin Keong ³ (appointed on 1 January 2015) | n/a | n/a | – | – | – | n/a |
| Mona Fong | 9/10 | 9/11 | – | – | – | 1/1 |
| Cher Wang Hsiueh Hong ⁴ | 2/10 ⁴ | – | – | – | – | 1/1 |
| Jonathan Milton Nelson ⁵ | 2/10 ⁵ | – | – | – | – | 0/1 |
| Anthony Lee Hsien Pin ⁶ | 10/10 | – | 2/4 ⁶ | – | 1/1 | 1/1 |
| Chen Wen Chi | 9/10 | 10/11 | – | – | – | 1/1 |
| Raymond Or Ching Fai ⁷ | 9/10 | – | 2/4 ⁷ | 2/2 ⁷ | 1/1 | 1/1 |
| William Lo Wing Yan ⁸ (appointed on 11 February 2015) | n/a | – | n/a | n/a | n/a | n/a |

| Alternate Directors | Board meetings | Executive Committee meetings | Audit Committee meetings | Remuneration Committee Meetings | Nomination Committee Meeting | 2014 AGM |
|---|-------------------|------------------------------|--------------------------|---------------------------------|------------------------------|----------|
| Allan Yap Alternate Director to Charles Chan Kwok Keung | 2/10 ² | – | – | – | – | – |
| Harvey Chang Hsiao Wei Alternate Director to Cher Wang Hsiueh Hong | 7/10 ⁴ | – | – | – | – | – |
| Jessica Huang Pouleur ⁹ (appointed on 14 July 2014) Alternate Director to Jonathan Milton Nelson | 4/10 ⁵ | – | – | – | – | – |

| Retired and resigned Directors | Board meetings | Executive Committee meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meeting | 2014 AGM |
|--|-------------------|------------------------------|--------------------------|---------------------------------|------------------------------|----------|
| Kevin Lo Chung Ping ¹⁰ (retired on 15 May 2014) | 2/10 | 3/11 | 2/4 | – | – | 0/1 |
| Chien Lee ¹¹ (retired on 15 May 2014) | 4/10 | – | 2/4 | 0/2 | – | 1/1 |
| Sun Tao ⁹ (resigned on 14 July 2014) Alternate Director to Jonathan Milton Nelson | 4/10 ⁵ | – | – | – | – | – |
| Norman Leung Nai Pang (retired on 1 January 2015) | 10/10 | 11/11 | – | – | – | 1/1 |
| Edward Cheng Wai Sun (resigned on 1 January 2015) | 5/10 | – | – | 2/2 | 1/1 | 0/1 |
| Gordon Siu Kwing Chue (resigned on 1 January 2015) | 9/10 | – | 4/4 | 2/2 | – | 1/1 |
| Chow Yei Ching (resigned on 1 March 2015) | 10/10 | – | – | – | 1/1 | 1/1 |

CORPORATE GOVERNANCE REPORT

Notes:

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

- 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 Ten Board meetings were held for 2014, seven of which were attended by Dr. Charles Chan Kwok Keung in person and another two were attended by Dr. Chan's alternate director.
- ³ Mr. Cheong Shin Keong was appointed as an Executive Director of the Company and a member of the Executive Committee of the Board on 1 January 2015.
- ⁴ Ten Board meetings were held for 2014, two of which was attended by Ms. Cher Wang Hsiueh Hong in person and another seven were attended by Ms. Wang's alternate director.
- ⁵ Ten Board meetings were held for 2014, two of which was attended by Mr. Jonathan Milton Nelson in person and another eight were attended by Mr. Nelson's alternate directors.
- ⁶ Mr. Anthony Lee Hsien Pin was appointed as a member of the Audit Committee on 15 May 2014. Two Audit Committee meetings were held during 15 May 2014 and 31 December 2014, following the appointment of Mr. Lee as a member of the Audit Committee.
- ⁷ Dr. Raymond Or Ching Fai was appointed as the chairman of the Remuneration Committee and a member of the Audit Committee on 15 May 2014. Two Remuneration Committee meetings and two Audit Committee meetings were held during 15 May 2014 and 31 December 2014, following the appointment of Dr. Or as the chairman of the Remuneration Committee and a member of the Audit Committee.
- ⁸ Dr. William Lo Wing Yan was appointed as an Independent Non-executive Director of the Company, a member and the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee on 11 February 2015.
- ⁹ Ms. Jessica Huang Pouleur was appointed as an Alternate Director to Mr. Jonathan Milton Nelson, an Non-executive Director on 14 July 2014 in place of Mr. Sun Tao who ceased to act as an Alternate Director to Mr. Nelson on the same day.
- ¹⁰ Mr. Kevin Lo Chung Ping retired as a Non-executive Director of the Company after the conclusion of the 2014 AGM on 15 May 2014, and ceased to act as a member of the Executive Committee and a member of the Audit Committee. Four Board meetings, four Executive Committee meetings and two Audit Committee meetings were held during 1 January 2014 and 15 May 2014, before the retirement of Mr. Lo.
- ¹¹ Mr. Chien Lee retired as an Independent Non-executive Director of the Company after the conclusion of the 2014 AGM on 15 May 2014, and ceased to act as the chairman of the Remuneration Committee and a member of the Audit Committee on the same day. Four Board meetings, no Remuneration Committee meeting and two Audit Committee meetings were held during 1 January 2014 and 15 May 2014, before the retirement of Mr. Lee.

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 updates and other appropriate and sufficient information to Directors in a timely manner to keep them apprised of the Group's latest development, performance, position and prospects. Directors also have independent access to management in respect of operational issues.

The Company organises and funds suitable trainings to the Directors on their roles, functions and duties; and other topics relating to the Group's business. During 2014, the Company organised a "Boardroom Training" on the new Companies Ordinance and its principal provisions in August. Each Director provided the Company a record of training he/she received in respect of the year ended 31 December 2014.

The Board sets the strategic direction of the Company and monitors the performance of the Group's business and management; and ensures that a risk management framework is in place to enable 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
- treasury policy.

During 2014, the former Executive Chairman of the Board held a meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the other Executive Director to discuss any issues relevant to the Board.

All Directors (including the former Directors retired or resigned during the year 2014 and subsequently from 1 January 2015 and 1 March 2015 under the sub-heading of "Composition of the Board and its Committees" in this CG Report), confirmed, following enquiry by the Chairman of the Board, that they had spent sufficient time in the affairs of the Company during 2014, and the Chairman is of the view that the Board works effectively and performs its responsibilities.

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

BOARD MEETINGS

The Board normally holds five regular meetings annually, and meets at such other times as are necessary. Ten Board meetings were held during the year ended 31 December 2014. The attendance records of Directors at the Board meetings in 2014 are set out in the table on page 65 of this CG Report.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board meets in person regularly. Notice of Board meetings are given to all Directors and the agendas of Board meetings are approved by the Chairman of the Board, and all Directors are given opportunities to include matters for discussion in the agenda. The Board is provided with adequate (which must be accurate, clear, complete and reliable) and timely information about the Group's business and developments before each meeting at which Directors can actively participate and hold informed discussions. All Directors are asked to comment on minutes prepared for previous meetings within a reasonable time after the meetings to ensure that the minutes accurately reflect the discussions which took place and decisions reached.

CORPORATE GOVERNANCE REPORT

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

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

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.

DIRECTORS' INDEPENDENCE

The Company has sufficient number of Independent Non-executive Directors (comprising Dr. Chow Yei Ching, Mr. Edward Cheng Wai Sun, Mr. Chien Lee and Mr. Gordon Siu Kwing Chue, collectively, "Former INEDs"; and Dr. Raymond Or Ching Fai) throughout 2014 and complies with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules that require at least three Independent Non-executive Directors and such Directors represent at least one-third of the Board. All of the Independent Non-executive Directors possesses related financial management expertise.

Each of the Former INEDs and Dr. Raymond Or Ching Fai has given the Company an annual confirmation of his independence for 2014. The Nomination Committee of the Board has reviewed the independence of each of the Former INEDs and Dr. Raymond Or Ching Fai and considered that all of them are independent, by reference to the guidelines set out in Rule 3.13 of the Listing Rules.

Dr. William Lo Wing Yan, who was appointed as an Independent Non-executive Director of the Company on 11 February 2015, has confirmed that he met the independence guidelines set out in Rule 3.13 of the Listing Rules on his appointment.

Subsequent to retirement of Mr. Chien Lee in May 2014, another three Independent Non-executive Directors of the Company, namely Mr. Edward Cheng Wai Sun, Mr. Gordon Siu Kwing Chue and Dr. Chow Yei Ching, have resigned in early 2015. Dr. William Lo Wing Yan was appointed as an Independent Non-executive Director of the Company in February 2015. Following the changes, the total number of the Independent Non-executive Directors is two, which represented less than one-third of the Board and also less than a minimum number of three. On 31 March 2015, the Company announced the appointment of Professor Caroline Wang Chia-Ling and Dr. Allan Zeman as Independent Non-executive Directors of the Company with effect from 1 April 2015. Upon the appointment of Professor Caroline Wang Chia-Ling and Dr. Allan Zeman as Independent Non-executive Directors of the Company on 1 April 2015, there will be a total of four Independent Non-executive Directors on the Board, which fulfills the requirements of the minimum number of three independent non-executive directors as prescribed under Rule 3.10(1) of the Listing Rules. This total of four Independent Non-executive Directors represents one-third of the composition of the Board of Directors as prescribed under Rule 3.10A of the Listing Rules.

RELATIONSHIPS AMONG DIRECTORS

The Directors have no relationship (including financial, business, family or other material/relevant relationships) among themselves, and between the chairman and the chief executive, save for the following:

- wife-husband relationship between Ms. Cher Wang Hsiueh Hong and Mr. Chen Wen Chi; and
- business relationship between Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong and Providence (in which Mr. Jonathan Milton Nelson is the Chief Executive Officer and the Founder).

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 next following general meeting of the Company and shall then be eligible for election at such 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 issues letter of appointment to document the key terms of appointment in writing for each Director. A set of "TVB Directors' Manual" containing the Articles, the TVB CG Code, TVB Code for Securities Transactions by Directors and notification procedures, Terms of Reference of the respective Board Committees, and certain internal policies and rules update and guidelines issued by the regulatory and professional bodies in respect of their duties is provided to the Directors. The Company offers formal induction training to the Directors on their appointment.

Each of Dr. Charles Chan Kwok Keung, Ms. Cher Wang Hsiueh Hong, Mr. Jonathan Milton Nelson, Dr. Chow Yei Ching and Mr. Gordon Siu Kwing Chue, who retired at the annual general meeting of the Company held on 15 May 2014 ("2014 AGM"), was successfully re-elected as Directors of the Company at the 2014 AGM.

In accordance with Article 109 of the Articles, Mr. Cheong Shin Keong and Dr. William Lo Wing Yan, who were appointed by the Board on 1 January 2015 and 11 February 2015, respectively, will hold offices as Directors of the Company until the annual general meeting of the Company to be held in May 2015 ("2015 AGM") and, being eligible, offer themselves for election at the 2015 AGM.

In accordance with Article 114(A) of the Articles, Ms. Mona Fong, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi will retire at the 2015 AGM and, being eligible, offer themselves for re-election at the 2015 AGM. Ms. Mona Fong, Mr. Anthony Lee Hsien Pin and Mr. Chen Wen Chi, who will retire at the 2015 AGM, have forwarded written notifications offering themselves for re-election at the 2015 AGM.

On 31 March 2015, the Company announced the appointment of Professor Caroline Wang Chia-Ling and Dr. Allan Zeman as Independent Non-executive Directors of the Company with effect from 1 April 2015. In accordance with Article 109 of the Articles, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman will hold offices as Directors of the Company until the 2015 AGM and, being eligible, offer themselves for election at the 2015 AGM.

Details of the Directors, who are subject to retirement for election and re-election at the 2015 AGM, as required under Rule 13.51(2) of the Listing Rules, are set out in the notice of the 2015 AGM which is sent together with this Annual Report to the shareholders of the Company.

CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and the Managing Director (or its equivalent position) of the Company are segregated and clearly defined, as set out in the TVB CG Code.

Dr. Charles Chan Kwok Keung, a Non-executive Director of the Company, was appointed as the Chairman of the Board on 1 January 2015 following the retirement of Dr. Norman Leung Nai Pang, the former Executive Chairman of the Board on the same day. As a successor, Dr. Charles Chan Kwok Keung provides leadership for the Board. He chairs the Board meetings and promotes a culture of openness to encourage all Directors to actively make contribution 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 consensus and the Board acts in the best interest of the Company.

Mr. Mark Lee Po On, Executive Director and the 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 Company's strategies, overseeing the realisation by the Company of the objectives set by the Board, and providing all information to enable the Board to monitor the performance of Management. The re-titling of Mr. Mark Lee Po On from Group General Manager to the Group Chief Executive Officer on 1 January 2015 gave a better description of the overall responsibilities taken up by him in the Group.

BOARD COMMITTEES

The Board is supported by four Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of them has defined terms of reference covering its authority, duties and functions. The terms of reference of these four Committees are available on the website of the Stock Exchange ("Exchange's website") and the Company's website.

The Company provides sufficient resources to the Board Committees to perform their duties. The Board Committees shall report to the Board on their works, decisions and recommendations in a timely manner.

CORPORATE GOVERNANCE REPORT

Major roles and functions, composition and operating mode of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board are set out below.

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.

MAJOR ROLES AND FUNCTIONS

The Executive Committee shall undertake the following duties:

- to monitor and review the implementation of the Group's strategic and investment plans;
- to monitor and review the organisation, business and personnel policies of the Group;
- to liaise and consult with other committees of the Board on all matters in relation to the businesses of the Group;
- to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- to work to the requirements that may from time-to-time be delegated by the Board or contained in the constitution of the Company.

COMPOSITION

The Executive Committee comprises five members. Members of the Executive Committee at the date of this CG Report are set out in the table on page 64 of this CG Report.

COMMITTEE MEETINGS

The Executive Committee normally meets once a month. Additional meetings may be held as the work of the Executive Committee demands.

During 2014, the Executive Committee held eleven meetings or by way of passing resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Group's cash position and investment portfolio;
- made recommendation to the Board for dividend payments;

- examined the possible ways for yield enhancement on the Group's cash balance;
- approved the financial commitments or undertakings over the amount of HK\$10 million; and
- approved other Group's routine corporate matters.

The attendance records of Directors at the Executive Committee meetings in 2014 are set out in the table on page 65 of this CG Report.

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.

MAJOR ROLES AND FUNCTIONS

The Remuneration Committee shall undertake the following duties:

- to make recommendations to the Board on the Company's policy for the remunerations of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine, with delegated responsibility, the specific remuneration packages of all individual Executive Directors and members of Senior Management, which would include benefits in kind, pension rights; and any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of Non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group (including the Company and its subsidiaries);
- to review and approve the compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

COMPOSITION

The Remuneration Committee comprises three members, majority of whom are Independent Non-executive Directors of the Company. Members of the Remuneration Committee at the date of this CG Report are set out in the table on page 64.

COMMITTEE MEETINGS

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

During 2014, the Remuneration Committee held two meetings which dealt with, inter-alia, the following matters:

- reviewed and approved the discretionary bonus pool to members of Senior Management and senior executives for 2014;
- reviewed and approved the specific discretionary bonus to members of Senior Management for 2014;
- approved the salary increments to members of Senior Management for 2015;
- approved the discretionary bonus to the former Executive Chairman for 2014 and the gratuity to him on his retirement on 1 January 2015;
- approved the discretionary bonus to the Group General Manager for 2014; and
- reviewed the fees for Chairman, Directors and the Board Committees and made its recommendations on adjustments and recommendations on new fees.

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

The attendance records of Directors at the Remuneration Committee meetings in 2014 are set out in the table on page 65.

GROUP'S 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.

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 the shareholders.

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

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

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

CORPORATE GOVERNANCE REPORT

The annual fee paid 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 2014 are set out below:

| Individual director serving | Annual fees for 2014 HK\$ |
|--|---------------------------------|
| Board of Directors | |
| Chairman of the Board | – ^{1 & 2} |
| Executive and Non-executive Directors | 200,000 ² |
| Executive Committee | |
| Chairman | – ³ |
| Members (who is not an Executive Director) | 150,000 |
| Audit Committee | |
| Chairman | 150,000 ⁴ |
| Members | 110,000 ⁴ |
| Remuneration Committee | |
| Chairman | 60,000 ⁵ |
| Members | 50,000 ⁵ |
| Nomination Committee | |
| Chairman | 60,000 ⁶ |
| Members | 50,000 ⁶ |

Notes:

On the recommendation of the Remuneration Committee of the Company following its meeting held on 2 December 2014:

- ¹ It was proposed an increase of fee payable to Directors from HK\$200,000 per annum to HK\$220,000 per annum with effect from 1 January 2015, subject to shareholders' approval at the 2015 AGM.
- ² It was proposed a fee payable to the Chairman of the Board (who is a Non-executive Director of the Company) of HK\$286,000 per annum with effect from 1 January 2015, subject to shareholders' approval at the 2015 AGM.
- ³ The Board approved a fee payable to the chairman of the Executive Committee of HK\$195,000 per annum with effect from 1 January 2015.
- ⁴ The Board approved an increase in the fee payable to the chairman of the Audit Committee from HK\$150,000 per annum to HK\$170,000 per annum with effect from 1 January 2015. The Board also approved an increase in the fee payable to members of the Audit Committee from HK\$110,000 per annum to HK\$120,000 per annum with effect from 1 January 2015.

- ⁵ The Board approved an increase in the fee payable to the chairman of the Remuneration Committee from HK\$60,000 per annum to HK\$70,000 per annum with effect from 1 January 2015. The Board also approved an increase in the fee payable to members of the Remuneration Committee from HK\$50,000 per annum to HK\$55,000 per annum with effect from 1 January 2015.
- ⁶ The Board approved an increase in the fee payable to the chairman of the Nomination Committee from HK\$60,000 per annum to HK\$70,000 per annum with effect from 1 January 2015. The Board also approved an increase in the fee payable to members of the Nomination Committee from HK\$50,000 per annum to HK\$55,000 per annum with effect from 1 January 2015.

The Company does not operate any employee share option scheme and therefore, no share options of the Company were granted. Details of the Directors' and members of Senior Management's emoluments are set out on pages 149 to 151 of the Notes to the Consolidated Financial Statements.

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 Committee to select and recommend candidates for directorship.

MAJOR ROLES AND FUNCTIONS

The Nomination Committee shall undertake the following duties:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorship;
- to assess the independence of Independent Non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Managing Director; and
- to develop a policy on diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

COMPOSITION

The Nomination Committee comprises three members, the majority of whom are Independent Non-executive Directors of the Company. Members of the Nomination Committee at the date of this CG Report are set out in the table on page 64.

COMMITTEE MEETING

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

During 2014, the Nomination Committee held one meeting or by way of passing resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Board composition;
- reviewed the independence of the Independent Non-executive Directors of the Company;
- reviewed and made recommendations to the Board the election and the re-election of Directors at the 2014 AGM; and
- reviewed the background and nominated the appointment of Executive Director of the Company.

The attendance records of Directors at the Nomination Committee meeting in 2014 are set out in the table in this CG Report on page 65.

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.

REVIEWING 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 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.

The Board has adopted a policy on board diversity ("Board Diversity Policy"). The Board Diversity Policy contains measurable objectives for implementing the Board Diversity Policy, and progress on achieving the objectives of the Board Diversity Policy.

Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence. The full text of the Board Diversity Policy is set out below and is available on the Company's website.

CORPORATE GOVERNANCE REPORT

Television Broadcasts Limited Board Diversity Policy

1. PURPOSE

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

2. VISION

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

3. POLICY STATEMENT

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

4. MEASURABLE OBJECTIVES

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

5. MONITORING AND REPORTING

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

6. REVIEW OF THIS POLICY

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

7. DISCLOSURE OF THIS POLICY

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

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

AUDIT COMMITTEE

The Audit Committee shall provide assistance to the Board in fulfilling its responsibilities to independently review and supervise on financial reporting and effectiveness of the system of internal controls of the Company and its subsidiaries; review objectivity and effectiveness of the audit process in accordance with applicable standards; and review the appointment of external auditor and ensure continuing auditor's independence.

MAJOR ROLES AND FUNCTIONS

The Audit Committee shall undertake the following duties:

In respect of relationship with the external auditor:

- to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging the external auditor to supply non-audit services;
- to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to act as the key representative body for overseeing the Company's relations with the external auditor;
- to meet with auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;

In respect of review of the Company's financial information:

- to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - any changes in accounting policies and practices;
 - major judgemental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and compliance with the Listing Rules and legal requirements in relation to financial reporting;
- regarding the last point mentioned above, members of the Committee should liaise with the Board and Senior Management; and the Committee must meet at least twice a year with the Company's auditor; and the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- to review the continuing connected transactions entered into by the Company and to report to the Board following the conclusion of such review, as required under the Listing Rules;

In respect of oversight of the Company's financial reporting system and internal control procedures:

- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. Such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

CORPORATE GOVERNANCE REPORT

- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to ensure co-ordination between the internal and the external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters in these terms of reference;
- to consider other topics, as defined by the Board; and

Others

- to maintain a whistleblowing policy and system which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that such a whistleblowing policy and system are in place for fair and independent investigation of these matters and for appropriate follow up actions. The whistleblowing policy and system shall also enable those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

COMPOSITION

The Audit Committee comprises three members, the majority of whom are Independent Non-executive Directors of the Company and is chaired by an Independent Non-executive Director. They 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. Members of the Audit Committee at the date of this CG Report are set out in the table on page 64.

COMMITTEE MEETINGS

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

During 2014, the Audit Committee held four meetings and dealt with, inter-alia, the following matters:

- reviewed the selected accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts;
- 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; and
- reviewed the continuing connected transactions entered into by the Company under the Listing Rules requirement.

During 2014, the Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial information and annual consolidated financial statements before such statements were presented to the Board for approval.

The Audit Committee met with the Group's auditor, PricewaterhouseCoopers ("PwC"), in the absence of management, to discuss matters relating to its audit. The reporting responsibilities of PwC, the external auditor, are set out in the Independent Auditor's Report on page 85 of this Annual Report.

The attendance records of Directors at the Audit Committee meetings in 2014 are set out in the table on page 65.

WHISTLEBLOWING POLICY

The whistleblowing policy and system has been established. Employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The whistleblowing policy and system shall also enable those who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

FINANCIAL REPORTING AND AUDIT

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries out the responsibility to select the most appropriate accounting policies for the Group.

In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants.

INTERNAL CONTROLS

RESPONSIBILITY

The Board has overall responsibility for the Group's internal control system and management of risks. It is committed to maintaining a sound and effective internal control system to safeguard the Group's assets and shareholders' interests, while the responsibility of day-to-day management of operational risks and implementation of remedial control measures rests with management and individual divisions, departments and offices.

KEY CONTROL PROCESSES

A system of internal controls has been designed by management in safeguarding assets from unauthorised use or disposition, ensuring reliability of financial reporting, and ensuring effectiveness and efficiency of operation and compliance with applicable laws and regulations. This system of internal controls is, however, designed to provide reasonable, but not absolute, assurance of no material mis-statement or loss, to manage, rather than eliminate, risk of failure in operational systems, and to help achieve the Group's objectives.

The key internal control procedures that the Board established to provide effective internal controls include:

- establishment of a clear organisation structure with well-defined lines of responsibilities from the Board to Board Committees, management, and the heads of operating subsidiaries/divisions;
- documentation of a comprehensive set of internal control procedures covering all business operations of the Group;
- establishment of a comprehensive monthly management reporting system 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;
- regular monitoring and assessment of effectiveness of the system of internal controls by considering the reviews performed by the Audit Committee, management, internal auditors and external auditors, as appropriate; and
- adoption of TVB Code of Ethics governing the conduct of staff members and setting the standards of integrity and professionalism.

MONITORING CONTROLS AND GROUP INTERNAL AUDIT

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") has been established 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.

CORPORATE GOVERNANCE REPORT

Internal Audit performs its independent reviews of different financial, business and functional operations and activities using a pro-active 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.

Major control deficiencies are brought to the attention of Senior Management and the Audit Committee on a regular basis and, if necessary, to the Board for remedial actions. Internal Audit has from time-to-time liaised and worked with relevant regulatory bodies with a view to enhancing its corporate governance and internal control systems, as well as protecting the Group's assets and shareholders' interests.

As reported in the Company's last annual report, the Prosecution has filed an appeal to the Court of Appeal against the acquittal of two defendants, one of whom was a former employee of the Company, charged under the Prevention of Bribery Ordinance in relation to a show produced by the Company in 2010. The appeal hearing is pending.

2014 REVIEW OF INTERNAL CONTROL SYSTEMS

The Board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31 December 2014, covering financial, operational and compliance controls, together with risk management functions ("Control Review").

This Control Review was conducted by way of a risk and control self-assessment, whereby key business and operational risks identified in a comprehensive risk assessment survey were mapped to relevant control activities and procedures.

Evaluations were then performed to assess whether the design and functioning of these control activities are sufficient to mitigate the risks identified. Based on the outcome of the review, the Board is satisfied that the internal controls within the Group are functioning in a sound and effective manner to safeguard the Group's assets and shareholders' investment.

AUDITORS' REMUNERATION

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

Fees for audit and audit related services

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Company | 8,766 | 1,590 |
| Subsidiaries | 2,825 | 3,365 |
| Total | 11,591 | 4,955 |
| Fees payable to PricewaterhouseCoopers, the principal auditor | 10,875 | 4,031 |

Fees for non-audit services

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Company (Note 1) | 3,606 | 1,195 |
| Subsidiaries (Note 2) | 2,925 | 1,980 |
| Total | 6,531 | 3,175 |
| Fees payable to PricewaterhouseCoopers, the principal auditor | 6,085 | 2,686 |

Notes:

- 1 Non-audit services rendered to the Company by PricewaterhouseCoopers during 2014 mainly included a Strategy Review and Review of Organisation and Management Structure performed by its advisory service which is separate from the team responsible for the Group's audit.
- 2 Non-audit services rendered to the Company's subsidiaries by PricewaterhouseCoopers during 2014 mainly comprised professional tax consulting services. Such services were provided by the tax departments of PricewaterhouseCoopers in Hong Kong and USA, which are separate from the team responsible for the Group's audit.

- ³ Part of the fees for audit and audit related services above represented a payment of HK\$7,080,000 in relation to the provision of other audit related services during the year.

The Audit Committee reviewed the non-audit services rendered by PricewaterhouseCoopers, the principal auditor, during 2014 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

COMPANY SECRETARY

Mr. Adrian Mak Yau Kee is the Company Secretary since 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and has extensive experience in the areas of corporate finance and compliance, in particular, the Listing Rules and other relevant law and regulations, including the Securities and Futures Ordinance, the Companies Ordinance, and the Hong Kong Code on Takeovers and Mergers. Mr. Mak, confirmed, following specific enquiry by the Company, that he had undertaken sufficient hours of relevant professional training, as required under Rule 3.29 of the Listing Rules during the year ended 31 December 2014.

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 Company'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 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, the notice of annual general meetings is sent to all shareholders at least 20 clear business days before the meetings, 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 Company'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

SHAREHOLDERS' RIGHTS

CONVENING GENERAL MEETING AND MAKING PROPOSALS AT SHAREHOLDERS MEETING

Following the commencement of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance") on 3 March 2014, 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 set out below, and is available on the Company's website.

Television Broadcasts Limited Shareholders' Communication Policy

PURPOSE

1. The Shareholders' Communication Policy ("Policy") aims to set out the provisions with the objective of ensuring that the Company's Shareholders and the investment community are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance profile), in order to allow Shareholders and the investment community to engage actively with the Company.
2. For the purpose of this policy, references to the investment community is intended to include the Company's potential investors, as well as analysts reporting and analysing the Company's performance.

GENERAL POLICY

3. The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review this Policy to ensure its effectiveness.
4. Information shall be communicated to Shareholders and the investment community mainly through the Company's announcements and financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its corporate communications and other corporate publications on the Company's website.
5. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding this Policy shall be directed to the Company Secretary.

COMMUNICATION STRATEGIES

Shareholders' enquiries

6. Shareholders should direct questions about their shareholdings to the Company's Registrar.
7. Shareholders and members of the investment community may at any time make a request for the Company's information to the extent such information is publicly available.
8. Shareholders and members of the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make enquiries in respect of the Company.

CORPORATE COMMUNICATION*

9. Corporate communication will be provided to Shareholders in plain language and in both English and Chinese to facilitate Shareholders' understanding.
10. Shareholders and members of the investment community are encouraged to provide, amongst other things, their contact details and email addresses to the Company in order to facilitate timely and effective communications.

* Corporation Communication refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, directors' report and annual accounts together with a copy of the auditor's report, interim report, notice of meeting, circular and proxy form.

CORPORATE GOVERNANCE REPORT

CORPORATE WEBSITE

11. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes reports and financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.
12. Press releases issued by the Company will be made available on the Company's website.

SHAREHOLDERS' MEETINGS

13. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.
14. Suitable transportation arrangements for attendance of the annual general meetings are in place to encourage participation.
15. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.
16. Chairman of the Board, either the chairmen of the Board Committees or their delegates, and members of the Board, the Company's senior management and the Auditor will attend the annual general meetings to address any Shareholders' questions.

INVESTMENT MARKET COMMUNICATIONS

17. Investor/analysts briefings and one-on-one meetings shall be arranged in order to facilitate communication between the Company, Shareholders and the investment community.
18. Company's Directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to strictly comply with the relevant Company's policy.

SHAREHOLDER PRIVACY

19. The Company recognises the importance of Shareholders' privacy and will not in any event disclose Shareholders' information without their consent, unless required to do so by law.

SHAREHOLDERS' COMMUNICATION CHANNELS

In relation to general shareholders' matters

Enquiries should be addressed to:

Address: Television Broadcasts Limited, TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong
Attention: Head of Investor Relations

Email: ir@tvb.com.hk

In relation to share certificates and titles to Share Registrars and Transfer Office

Enquiries should be addressed to:

Address: Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Telephone: (852) 2862 8555

Fax: (852) 2865 0990/2529 6087

Email: hkinfo@computershare.com.hk

INVESTOR RELATIONS

The Company devotes substantial resources in ensuring that dissemination of information relating to business activities, any price sensitive information and details of transactions are in full compliance with the Listing Rules. The Company has designated key officers to communicate with institutional shareholders and analysts ensuring consistency of information. Through one-on-one meetings and presentations, the Company keeps the investment community informed of its latest developments.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 31 March 2015

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

| | 2014 HK\$'mil | 2013 HK\$'mil | 2012 HK\$'mil (Restated) | 2011 HK\$'mil (Restated) | 2010 HK\$'mil (Restated) |
|---|------------------|------------------|--------------------------------|--------------------------------|--------------------------------|
| Turnover | 5,773 | 5,686 | 5,448 | 5,209 | 4,675 |
| Profit before income tax | 1,736 | 2,120 | 2,141 | 2,099 | 1,813 |
| Income tax expense | 317 | 358 | 403 | 538 | 480 |
| Profit attributable to equity holders of the Company | 1,410 | 1,738 | 1,732 | 1,557 | 1,331 |
| Earnings per share | HK\$3.22 | HK\$3.97 | HK\$3.95 | HK\$3.56 | HK\$3.04 |
| Property, plant and equipment | 3,068 | 3,105 | 2,814 | 2,352 | 2,489 |
| Investment properties | 10 | 13 | 13 | 12 | – |
| Land use rights | 66 | 70 | 71 | 56 | – |
| Goodwill | 116 | 172 | 176 | 171 | 176 |
| Interests in associates | 531 | 600 | 649 | 529 | 581 |
| Interests in joint ventures | 45 | 13 | 16 | 16 | 13 |
| Other non-current assets | 64 | 28 | 29 | 52 | 115 |
| Current assets | 6,657 | 6,300 | 5,965 | 5,656 | 4,666 |
| Current liabilities | (1,343) | (1,642) | (1,496) | (1,359) | (1,134) |
| | 9,214 | 8,659 | 8,237 | 7,485 | 6,906 |
| Share capital | 664 | 22 | 22 | 22 | 22 |
| Reserves | 7,861 | 8,293 | 7,723 | 6,996 | 6,405 |
| Shareholders' funds | 8,525 | 8,315 | 7,745 | 7,018 | 6,427 |
| Non-controlling interests | 179 | 112 | 86 | 30 | 27 |
| Non-current liabilities | 510 | 232 | 406 | 437 | 452 |
| | 9,214 | 8,659 | 8,237 | 7,485 | 6,906 |

The figures for the years 2010 to 2012 have been restated to reflect the prior year adjustments arising from the remeasurement of defined benefit retirement scheme in accordance with HKAS 19 (revised) "Employee Benefits".

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 86 to 167, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 3,068,165 | 3,105,052 |
| Investment properties | 7 | 10,202 | 13,595 |
| Land use rights | 8 | 66,378 | 69,834 |
| Goodwill | 9 | 115,643 | 171,730 |
| Interests in joint ventures | 11 | 44,909 | 13,281 |
| Interests in associates | 12 | 530,786 | 599,715 |
| Available-for-sale financial assets | 13 | 3 | 3 |
| Deferred income tax assets | 23 | 23,529 | 28,369 |
| Prepayments | 15 | 39,893 | – |
| Total non-current assets | | 3,899,508 | 4,001,579 |
| Current assets | | | |
| Programmes and film rights | | 761,863 | 461,945 |
| Stocks | 14 | 10,674 | 11,957 |
| Trade and other receivables, prepayments and deposits | 15 | 2,538,940 | 2,481,751 |
| Tax recoverable | | 5,074 | 10,772 |
| Held-to-maturity financial assets | 16 | – | 381,582 |
| Restricted cash | 17 | 9,039 | 51,151 |
| Bank deposits maturing after three months | 18 | 135,676 | 291,045 |
| Cash and cash equivalents | 18 | 3,195,869 | 2,609,393 |
| Total current assets | | 6,657,135 | 6,299,596 |
| Total assets | | 10,556,643 | 10,301,175 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital, nominal value | 19 | – | 21,900 |
| Other statutory capital reserves | 19,20 | – | 642,144 |
| Share capital and other statutory capital reserves | 19 | 664,044 | 664,044 |
| Other reserves | 20 | 159,241 | 201,110 |
| Retained earnings | | | |
| – Proposed dividends | 32 | 1,883,400 | 876,000 |
| – Others | | 5,818,734 | 6,573,565 |
| Non-controlling interests | | 8,525,419 | 8,314,719 |
| | | 178,927 | 112,108 |
| Total equity | | 8,704,346 | 8,426,827 |

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------|-------------------|-------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 22 | 293,700 | – |
| Deferred income tax liabilities | 23 | 181,080 | 190,681 |
| Retirement benefit obligations | 24 | 34,628 | 41,429 |
| Total non-current liabilities | | 509,408 | 232,110 |
| Current liabilities | | | |
| Trade and other payables and accruals | 21 | 793,019 | 938,815 |
| Current income tax liabilities | | 451,970 | 451,066 |
| Borrowings | 22 | 97,900 | 252,357 |
| Total current liabilities | | 1,342,889 | 1,642,238 |
| Total liabilities | | 1,852,297 | 1,874,348 |
| Total equity and liabilities | | 10,556,643 | 10,301,175 |
| Net current assets | | 5,314,246 | 4,657,358 |
| Total assets less current liabilities | | 9,213,754 | 8,658,937 |

The consolidated financial statements on pages 86 to 167 were approved by the Board of Directors on 31 March 2015 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 94 to 167 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 1,678,757 | 1,678,200 |
| Investment properties | 7 | – | 2,754 |
| Land use rights | 8 | 17,821 | 18,235 |
| Interests in subsidiaries | 10 | 1,016,795 | 945,068 |
| Interests in joint ventures | 11 | 29,031 | 13,281 |
| Interests in associates | 12 | 530,786 | 599,715 |
| Prepayments | 15 | 39,893 | – |
| Total non-current assets | | 3,313,083 | 3,257,253 |
| Current assets | | | |
| Programmes and film rights | | 667,250 | 419,530 |
| Stocks | 14 | 4,161 | 4,261 |
| Trade and other receivables, prepayments and deposits | 15 | 1,492,881 | 1,664,405 |
| Held-to-maturity financial assets | 16 | – | 381,582 |
| Restricted cash | 17 | – | 19,421 |
| Bank deposits maturing after three months | 18 | 133,473 | 284,731 |
| Cash and cash equivalents | 18 | 1,865,006 | 1,882,023 |
| Total current assets | | 4,162,771 | 4,655,953 |
| Total assets | | 7,475,854 | 7,913,206 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital, nominal value | 19 | – | 21,900 |
| Other statutory capital reserves | 19,20 | – | 642,144 |
| Share capital and other statutory capital reserves | 19 | 664,044 | 664,044 |
| Other reserves | 20 | 70,000 | 70,000 |
| Retained earnings | | | |
| – Proposed dividends | 32 | 1,883,400 | 876,000 |
| – Others | | 4,227,889 | 5,453,072 |
| Total equity | | 6,845,333 | 7,063,116 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 23 | 112,320 | 103,108 |
| Total non-current liabilities | | 112,320 | 103,108 |

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------|------------------|------------------|
| Current liabilities | | | |
| Trade and other payables and accruals | 21 | 489,314 | 513,188 |
| Current income tax liabilities | | 28,887 | 5,714 |
| Borrowings | 22 | – | 228,080 |
| Total current liabilities | | 518,201 | 746,982 |
| Total liabilities | | 630,521 | 850,090 |
| Total equity and liabilities | | 7,475,854 | 7,913,206 |
| Net current assets | | 3,644,570 | 3,908,971 |
| Total assets less current liabilities | | 6,957,653 | 7,166,224 |

The consolidated financial statements on pages 86 to 167 were approved by the Board of Directors on 31 March 2015 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 94 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------|------------------|------------------|
| Turnover | 5 | 5,773,168 | 5,686,050 |
| Cost of sales | | (2,452,725) | (2,221,333) |
| Gross profit | | 3,320,443 | 3,464,717 |
| Other revenues | 5 | 81,209 | 67,525 |
| Selling, distribution and transmission costs | | (656,985) | (626,109) |
| General and administrative expenses | | (838,900) | (735,247) |
| Other (losses)/gains, net | 27 | (86,365) | 6,907 |
| Finance costs | 28 | (3,534) | (2,268) |
| Share of losses of joint ventures | | (7,134) | (2,252) |
| Share of losses of associates | | (72,382) | (52,658) |
| Profit before income tax | 25 | 1,736,352 | 2,120,615 |
| Income tax expense | 29 | (316,757) | (358,426) |
| Profit for the year | | 1,419,595 | 1,762,189 |
| Profit attributable to: | | | |
| Equity holders of the Company | 30 | 1,409,632 | 1,737,987 |
| Non-controlling interests | | 9,963 | 24,202 |
| | | 1,419,595 | 1,762,189 |
| Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year | 31 | HK\$3.22 | HK\$3.97 |
| Dividends | 32 | 2,146,200 | 1,138,800 |

The notes on pages 94 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Profit for the year | | 1,419,595 | 1,762,189 |
| Other comprehensive income: | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurement of defined benefit obligations recognised directly in other comprehensive income | 24(b) | 2,071 | 23,748 |
| Tax effect of remeasurement of defined benefit obligations recognised directly in other comprehensive income | 23 | (352) | (4,037) |
| | | 1,719 | 19,711 |
| Item that may be reclassified to profit or loss: | | | |
| Currency translation differences | | | |
| – Group | | (87,264) | (47,584) |
| – Joint ventures | | (35) | – |
| Reclassification adjustment to profit or loss on liquidation of subsidiaries | | 25,436 | – |
| | | (61,863) | (47,584) |
| Other comprehensive loss for the year, net of tax | | (60,144) | (27,873) |
| Total comprehensive income for the year | | 1,359,451 | 1,734,316 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 1,349,500 | 1,708,292 |
| Non-controlling interests | | 9,951 | 26,024 |
| Total comprehensive income for the year | | 1,359,451 | 1,734,316 |

The notes on pages 94 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | 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 2013 | | 21,900 | 861,605 | 6,861,722 | 7,745,227 | 86,084 | 7,831,311 |
| Comprehensive income: | | | | | | | |
| Profit for the year | | - | - | 1,737,987 | 1,737,987 | 24,202 | 1,762,189 |
| Other comprehensive income: | | | | | | | |
| Remeasurement of defined benefit obligations | | - | - | 19,711 | 19,711 | - | 19,711 |
| Currency translation differences – Group | | - | (49,406) | - | (49,406) | 1,822 | (47,584) |
| Total comprehensive income, net of tax | | - | (49,406) | 1,757,698 | 1,708,292 | 26,024 | 1,734,316 |
| Transactions with owners: | | | | | | | |
| Transferred to legal reserve | 20(a) | - | 31,055 | (31,055) | - | - | - |
| 2012 final dividend paid | | - | - | (876,000) | (876,000) | - | (876,000) |
| 2013 interim dividend paid | | - | - | (262,800) | (262,800) | - | (262,800) |
| Total transactions with owners | | - | 31,055 | (1,169,855) | (1,138,800) | - | (1,138,800) |
| Balance at 31 December 2013 | | 21,900 | 843,254 | 7,449,565 | 8,314,719 | 112,108 | 8,426,827 |
| Balance at 1 January 2014 | | 21,900 | 843,254 | 7,449,565 | 8,314,719 | 112,108 | 8,426,827 |
| Comprehensive income: | | | | | | | |
| Profit for the year | | - | - | 1,409,632 | 1,409,632 | 9,963 | 1,419,595 |
| Other comprehensive income: | | | | | | | |
| Remeasurement of defined benefit obligations | | - | - | 1,719 | 1,719 | - | 1,719 |
| Currency translation differences | | | | | | | |
| – Group | | - | (87,252) | - | (87,252) | (12) | (87,264) |
| – Joint ventures | | - | (35) | - | (35) | - | (35) |
| Reclassification adjustment to profit or loss on liquidation of subsidiaries | | - | 25,436 | - | 25,436 | - | 25,436 |
| Total comprehensive income, net of tax | | - | (61,851) | 1,411,351 | 1,349,500 | 9,951 | 1,359,451 |
| Transactions with owners: | | | | | | | |
| Transition to no-par value regime on 3 March 2014 | 19 | 642,144 | (642,144) | - | - | - | - |
| Transferred to legal reserve | 20(a) | - | 19,982 | (19,982) | - | - | - |
| 2013 final dividend paid | | - | - | (876,000) | (876,000) | - | (876,000) |
| 2014 interim dividend paid | | - | - | (262,800) | (262,800) | - | (262,800) |
| Capital injection by non-controlling interests | | - | - | - | - | 56,868 | 56,868 |
| Total transactions with owners | | 642,144 | (622,162) | (1,158,782) | (1,138,800) | 56,868 | (1,081,932) |
| Balance at 31 December 2014 | | 664,044 | 159,241 | 7,702,134 | 8,525,419 | 178,927 | 8,704,346 |

The notes on pages 94 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 33 | 1,648,358 | 1,742,072 |
| Interest paid | | (4,164) | (1,705) |
| Hong Kong tax paid | | (193,445) | (233,213) |
| Overseas tax paid | | (122,225) | (124,240) |
| Net cash generated from operating activities | | 1,328,524 | 1,382,914 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment, investment properties and land use rights | | (393,825) | (615,701) |
| Investment in a joint venture | | (6,311) | – |
| Loan to a joint venture | | (15,778) | – |
| Fund advanced to a joint venture | | (15,750) | – |
| Decrease in bank deposits maturing after three months | | 155,369 | 144,054 |
| Redemptions/(purchases) of held-to-maturity financial assets | | 381,582 | (381,582) |
| Liquidation of subsidiaries (net of cash and cash equivalents) | 33(b) | (2,371) | – |
| Proceeds from sale of property, plant and equipment | | 3,222 | 3,146 |
| Interest received | | 60,115 | 42,571 |
| Net cash generated from/(used in) investing activities | | 166,253 | (807,512) |
| Cash flows from financing activities | | | |
| Capital injection by non-controlling interests | | 56,868 | – |
| Proceeds from short-term bank loans | | 97,900 | 228,080 |
| Proceeds from long-term bank loan | | 300,300 | – |
| Repayments of long-term bank loan | | (24,277) | (176,198) |
| Repayments of short-term bank loans | | (228,080) | – |
| Decrease/(increase) in restricted cash | | 42,112 | (43,921) |
| Dividends paid to equity holders of the Company | | (1,138,800) | (1,138,800) |
| Net cash used in financing activities | | (893,977) | (1,130,839) |
| Net increase/(decrease) in cash and cash equivalents | | 600,800 | (555,437) |
| Cash and cash equivalents at 1 January | | 2,609,393 | 3,169,247 |
| Effect of foreign exchange rate changes | | (14,324) | (4,417) |
| Cash and cash equivalents at 31 December | | 3,195,869 | 2,609,393 |

The notes on pages 94 to 167 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 40.

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 31 March 2015.

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 Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Note 2.10.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

(a) New or revised standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, “Financial Instruments: Presentation” on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, “Impairment of Assets”, on the recoverable amount disclosures for non-financial assets. This amendment addresses the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal.

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

2.1 Basis of preparation (continued)

(a) New or revised standards adopted by the Group (continued)

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(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 2015 or later periods, but the Group has not early adopted them:

| | |
|---|--|
| HKAS 16 and HKAS 38 (Amendments) | Clarification of acceptable methods of depreciation and amortisation |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Annual improvements to HKFRSs 2010 – 2012 Cycle: Amendments to HKFRS 8 | Operating Segments – aggregation of operating segments, and reconciliation of the total reportable segment assets to the entity's total assets |
| Amendments to HKAS 24 | Related Party Disclosures – key management personnel |

The Group is in the process of making an assessment of the impact of these relevant standards and amendments to the Group's results and financial position in the period of initial application. On a preliminary basis, it has concluded that the adoption of these standards and amendments is unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

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

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

2.2 Consolidation (continued)

(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.

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

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

(d) Disposal of subsidiaries and associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation (continued)

(e) Joint arrangements

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

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

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

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

2.3 Segment reporting

The Group reports its operating segments based on the internal reports reviewed by the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.4 Foreign currency translation (continued)

(c) Group companies

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Goodwill and fair value adjustments arising on acquisitions prior to 1 January 2005 are expressed in the acquiring company's functional currency and reported using the exchange rate at the date of these acquisitions.

2.5 Property, plant and equipment

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Property, plant and equipment (continued)

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

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

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

2.6 Investment properties

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

2.7 Land use rights

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

2.8 Goodwill

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

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

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

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

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

2.10 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", "funds advanced/loan to joint ventures", "loan to an associate", "bank deposits" and "cash and cash equivalents" in the statement of financial position (Notes 2.14 and 2.15).

(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 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 carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from 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 are included in the consolidated income statement as gains or losses from investment securities.

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

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired or have legally transferred and the Group has transferred substantially all the risks and rewards of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.11 Impairment of financial assets

(a) Loans and receivables

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

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

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

(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.

(c) Assets classified as held-to-maturity

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. An impairment loss is recognised in the consolidated income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the recognition of the impairment loss, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed the amortised cost.

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

2.12 Programmes and film rights

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

(a) Programme cost

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

(b) Film rights

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

2.13 Stocks

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

2.14 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.

2.15 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.

2.16 Share capital

Ordinary shares are classified as equity.

2.17 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.

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.19 Current and deferred income tax

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

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

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

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

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

2.20 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 benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administered funds.

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

* The maximum amount increased from HK\$1,250 to HK\$1,500 with effect from 1 June 2014.

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

2.20 Employee benefits (continued)

(b) Pension obligations (continued)

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

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

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

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

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

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

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

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

(c) Bonus plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.21 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.

2.22 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.

2.23 Revenue recognition

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

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

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

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

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

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

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

2.24 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

(c) Finance leases (as lessee)

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

2.25 Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.25 Related parties (continued)

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

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

2.26 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 trade receivables, bank deposits, cash and bank balances, held-to-maturity financial assets and trade payables.

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | 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 |
| Foreign currency against Hong Kong dollars | | | | |
| Renminbi | 1% (1%) | 9,694 (9,694) | 3% (3%) | 31,243 (31,243) |
| Australian Dollars | 8% (8%) | 1,867 (1,867) | 14% (14%) | 6,158 (6,158) |
| Malaysian Ringgit | 6% (6%) | 1,895 (1,895) | 7% (7%) | 3,367 (3,367) |

(ii) Interest rate risk

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

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

Sensitivity analysis has been conducted on the loan to an associate, bank deposits and bank borrowings. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's profit after taxation excluding share of results of associates for the year would have increased/decreased by HK\$6,170,000 (2013: HK\$6,141,000) and HK\$26,659,000 (2013: HK\$26,689,000) in respect of the loan to an associate and bank deposits respectively and the Group's profit after taxation would have decreased/increased by HK\$3,250,000 (2013: HK\$2,106,000) in respect of bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its loan to an associate (Note 4(c)), funds advanced/loan to joint ventures, credit sales, bank balances and bank deposits. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. The credit risk on credit sales is not material as major customers are reputable advertising agencies with no recent history of default. The credit risk on trade receivables is not considered significant given the majority of credit sales relate to reputable advertising agencies. In addition, the Group reviews the recoverable amount of each individual trade debtor, associate and joint venture at the end of each reporting period to ensure that impairment has adequately been provided for doubtful debts. The credit risk on bank balances is limited as the banks are of acceptable credit ratings.

(c) Liquidity risk

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

The Group's financial liabilities include trade payables, other payables, accruals and bank borrowings. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period. The bank loans are secured by land and buildings and are repayable as set out in Note 22.

The table below analyses the Group's and the Company'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).

| | 2014 | | 2013 | |
|-----------------------|------------------------|--|------------------------|--|
| | Borrowings HK\$'000 | Trade and other payables and accruals HK\$'000 | Borrowings HK\$'000 | Trade and other payables and accruals HK\$'000 |
| Group | | | | |
| Within 1 year | 103,632 | 668,316 | 256,063 | 783,021 |
| Between 1 and 2 years | 15,069 | – | – | – |
| Between 2 and 5 years | 187,698 | – | – | – |
| Over 5 years | 109,682 | – | – | – |
| | 416,081 | 668,316 | 256,063 | 783,021 |
| Company | | | | |
| Within 1 year | – | 442,168 | 231,536 | 463,319 |

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management

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

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

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

The gearing ratios at 31 December 2014 and 2013 were as follows:

| | Group | |
|------------------|-----------|-----------|
| | 2014 | 2013 |
| | HK\$'000 | HK\$'000 |
| Total borrowings | 391,600 | 252,357 |
| Total equity | 8,704,346 | 8,426,827 |
| Gearing ratio | 4.5% | 3.0% |

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2014 and 2013, the fair value measurement of the Group's available-for-sale financial assets is included in level 3 (Note 13) and thereof its held-to-maturity financial assets is classified in level 2 (Note 16).

There was no transfer between categories during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill (Note 9) in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) 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 collectibility of trade receivables for which provisions are not made could affect the results of operations.

(c) Loan to and trade receivables from associates

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

The Group's assumptions on the recoverability of the loan (including loan interest) to and trade receivables from TVB Network Vision Limited ("TVBNV") in the amount of HK\$738,872,000 and HK\$535,733,000 respectively, are critically dependent on (i) the launch of the over-the-top platform is on schedule by January 2016; (ii) the ability of TVBNV to significantly grow its subscribers by more than two times and eight times from its existing subscriber base by 2016 and 2020 respectively and (iii) the Group's continuous commitment to support, in cash or in kind, the businesses of TVBNV for the long term. The Group believes that the impairment provision of HK\$510,000,000 (2013: HK\$510,000,000) and the share of Network Vision's excessive loss of HK\$118,269,000 (2013: HK\$45,887,000) against its loan and trade receivables (Note 12 and 15) is adequate. If the financial conditions of TVBNV were to deteriorate and fail to reach out the expected growth in subscriber base which impacting their ability to make payments, additional impairment provision may be required.

Sensitivity analysis has been conducted in relation to the recoverability of the loan to an associate. If there is a shortfall of year-on-year growth in subscriber numbers by 20% with all other variables held constant, additional impairment loss on the loan to an associate of HK\$28 million in the Group's consolidated income statement might be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment 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.

(e) Deferred income tax assets

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

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

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

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

Other revenues comprise mainly interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Turnover | | |
| Advertising income, net of agency deductions | 3,998,035 | 3,910,765 |
| Licensing income | 991,078 | 953,015 |
| Subscription income | 414,269 | 446,421 |
| Others | 434,139 | 442,796 |
| | 5,837,521 | 5,752,997 |
| Less: withholding tax | (64,353) | (66,947) |
| | 5,773,168 | 5,686,050 |
| Other revenues | | |
| Interest income | 63,261 | 49,488 |
| Others | 17,948 | 18,037 |
| | 81,209 | 67,525 |
| | 5,854,377 | 5,753,575 |

The Group General Manager (re-titled as the Group Chief Executive Officer with effect from 1 January 2015) is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group General Manager for the purposes of allocating resources to the segments and assessing their performance. The Group has six reportable segments as follows:

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

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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 respect, 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.

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

| | Hong Kong TV broadcasting HK\$'000 | Programme licensing and distribution HK\$'000 | Overseas pay TV operations HK\$'000 | Taiwan operations HK\$'000 | Channel operations HK\$'000 | Hong Kong digital media business and other activities HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--|---|---|--|----------------------------------|-----------------------------------|---|-------------------------|-------------------|
| For the year ended 31 December 2014 | | | | | | | | |
| Turnover | | | | | | | | |
| External customers | 3,364,989 | 947,677 | 232,014 | 861,164 | 106,752 | 260,572 | - | 5,773,168 |
| Inter-segment | 55,426 | 137,204 | 11,207 | 5,295 | 18,290 | 9,882 | (237,304) | - |
| Total | 3,420,415 | 1,084,881 | 243,221 | 866,459 | 125,042 | 270,454 | (237,304) | 5,773,168 |
| Reportable segment profit excluding gain/(loss) on liquidation of subsidiaries | 947,066 | 617,645 | (27,202) | 253,321 | 32,412 | 64,332 | - | 1,887,574 |
| Add/(less): gain/(loss) on liquidation of subsidiaries | - | 993 | (72,699) | - | - | - | - | (71,706) |
| Reportable segment profit including gain/(loss) on liquidation of subsidiaries | 947,066 | 618,638 | (99,901) | 253,321 | 32,412 | 64,332 | - | 1,815,868 |
| Interest income | 53,635 | 4,884 | 108 | 1,172 | - | 3,462 | - | 63,261 |
| Finance costs | (2,749) | - | - | (785) | - | - | - | (3,534) |
| Depreciation and amortisation | (232,054) | (4,789) | (6,533) | (57,481) | (201) | (16,331) | - | (317,389) |
| Additions to non-current assets* | 272,364 | 17,983 | 4,688 | 72,729 | 113 | 25,948 | - | 393,825 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

| | Hong Kong TV broadcasting HK\$'000 | Programme licensing and distribution HK\$'000 | Overseas pay TV operations HK\$'000 | Taiwan operations HK\$'000 | Channel operations HK\$'000 | Hong Kong digital media business and other activities HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--|---|---|--|----------------------------------|-----------------------------------|---|-------------------------|-------------------|
| For the year ended 31 December 2013 | | | | | | | | |
| Turnover | | | | | | | | |
| External customers | 3,290,615 | 931,576 | 307,211 | 829,431 | 114,118 | 213,099 | - | 5,686,050 |
| Inter-segment | 31,564 | 140,520 | 364 | 4,576 | 18,214 | 8,496 | (203,734) | - |
| Total | 3,322,179 | 1,072,096 | 307,575 | 834,007 | 132,332 | 221,595 | (203,734) | 5,686,050 |
| Reportable segment profit | 1,181,985 | 638,742 | 13,709 | 245,787 | 43,564 | 51,738 | - | 2,175,525 |
| Interest income | 41,198 | 5,008 | 118 | 926 | - | 2,238 | - | 49,488 |
| Finance costs | (712) | - | - | (1,556) | - | - | - | (2,268) |
| Depreciation and amortisation | (209,118) | (3,337) | (6,021) | (48,516) | (173) | (15,506) | - | (282,671) |
| Additions to non-current assets* | 479,939 | 3,523 | 10,271 | 100,662 | 799 | 20,507 | - | 615,701 |

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

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Reportable segment profit including gain/(loss) on liquidation of subsidiaries | 1,815,868 | 2,175,525 |
| Share of losses of joint ventures | (7,134) | (2,252) |
| Share of losses of associates | (72,382) | (52,658) |
| Profit before income tax | 1,736,352 | 2,120,615 |

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2014 and 2013.

5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------|------------------|------------------|
| Hong Kong | 3,625,004 | 3,502,966 |
| Taiwan | 867,997 | 832,133 |
| Malaysia and Singapore | 555,188 | 560,100 |
| Mainland China | 383,283 | 401,975 |
| USA and Canada | 168,015 | 198,244 |
| Australia | 89,972 | 104,993 |
| Europe | 30,173 | 44,602 |
| Other countries | 53,536 | 41,037 |
| | 5,773,168 | 5,686,050 |

Non-current assets, other than financial instruments and deferred income tax assets, by geographical location is as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|-----------------|------------------|------------------|
| Hong Kong | 2,342,919 | 2,334,082 |
| Taiwan | 1,397,342 | 1,462,130 |
| Mainland China | 108,346 | 95,558 |
| USA and Canada | 20,606 | 18,848 |
| Australia | 5,844 | 9,460 |
| Europe | – | 52,925 |
| Other countries | 919 | 204 |
| | 3,875,976 | 3,973,207 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

(a) Group

| | Construction in progress HK\$'000 | Land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Studio, broadcasting and transmitting equipment HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|---|-----------------------------------|---------------------------------------|---|--|-------------------------------|-------------------|
| Cost | | | | | | | |
| At 1 January 2013 | 13,315 | 2,529,676 | 33,299 | 2,335,834 | 785,838 | 48,806 | 5,746,768 |
| Exchange differences | - | (40,079) | (559) | (15,712) | (2,334) | (576) | (59,260) |
| Additions | 28,093 | 2,804 | 2,193 | 506,362 | 65,749 | 9,263 | 614,464 |
| Disposals | - | - | (102) | (122,140) | (22,336) | (6,143) | (150,721) |
| At 31 December 2013 | 41,408 | 2,492,401 | 34,831 | 2,704,344 | 826,917 | 51,350 | 6,151,251 |
| At 1 January 2014 | 41,408 | 2,492,401 | 34,831 | 2,704,344 | 826,917 | 51,350 | 6,151,251 |
| Exchange differences | (592) | (70,511) | (421) | (30,387) | (2,668) | (751) | (105,330) |
| Additions | 21,957 | 9,173 | 5,259 | 235,215 | 73,548 | 8,780 | 353,932 |
| Disposals | - | (317) | (2,140) | (97,147) | (11,839) | (1,178) | (112,621) |
| Liquidation of subsidiaries (Note 33(b)) | - | - | (1,702) | (4,079) | (5,182) | (537) | (11,500) |
| Transferred from investment properties (Note 7(a)) | - | 2,869 | - | - | - | - | 2,869 |
| At 31 December 2014 | 62,773 | 2,433,615 | 35,827 | 2,807,946 | 880,776 | 57,664 | 6,278,601 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January 2013 | - | 497,286 | 28,496 | 1,868,502 | 497,508 | 41,144 | 2,932,936 |
| Exchange differences | - | (2,584) | (394) | (12,430) | (1,918) | (454) | (17,780) |
| Charge for the year | - | 60,680 | 2,235 | 161,670 | 50,756 | 3,273 | 278,614 |
| Written back on disposals | - | - | (102) | (119,159) | (22,167) | (6,143) | (147,571) |
| At 31 December 2013 | - | 555,382 | 30,235 | 1,898,583 | 524,179 | 37,820 | 3,046,199 |
| At 1 January 2014 | - | 555,382 | 30,235 | 1,898,583 | 524,179 | 37,820 | 3,046,199 |
| Exchange differences | - | (5,950) | (350) | (22,642) | (1,935) | (557) | (31,434) |
| Charge for the year | - | 61,996 | 2,510 | 191,613 | 52,654 | 4,646 | 313,419 |
| Written back on disposals | - | (298) | (1,786) | (94,466) | (11,299) | (1,168) | (109,017) |
| Liquidation of subsidiaries (Note 33(b)) | - | - | (358) | (3,599) | (4,456) | (538) | (8,951) |
| Transferred from investment properties (Note 7(a)) | - | 220 | - | - | - | - | 220 |
| At 31 December 2014 | - | 611,350 | 30,251 | 1,969,489 | 559,143 | 40,203 | 3,210,436 |
| Net book value | | | | | | | |
| At 31 December 2014 | 62,773 | 1,822,265 | 5,576 | 838,457 | 321,633 | 17,461 | 3,068,165 |
| At 31 December 2013 | 41,408 | 1,937,019 | 4,596 | 805,761 | 302,738 | 13,530 | 3,105,052 |

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

Notes:

- (i) Property, plant and equipment includes freehold land outside Hong Kong with cost of HK\$747,655,000 (2013: HK\$790,333,000).
- (ii) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK\$15,046,000 (2013: HK\$61,877,000) as they were not ready in use at the year end.
- (iii) At 31 December 2014, land and buildings with net book value of HK\$720,072,000 (2013: HK\$776,031,000) were pledged to secure loans and banking facilities granted to a subsidiary of the Group.
- (iv) At 31 December 2014, the net book values of leasehold land held under finance leases were analysed as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------------------|------------------|------------------|
| In Hong Kong held on: | | |
| Leases of between 10 to 50 years | 183,507 | 183,429 |
| Leases of over 50 years | 5,344 | 5,508 |
| | 188,851 | 188,937 |

- (v) Construction in progress as at 31 December 2014 comprised principally a building being constructed in Hong Kong and a production headquarters being constructed in Taiwan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

| | Construction in progress HK\$'000 | Land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Studio, broadcasting and transmitting equipment HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|---|-----------------------------------|---------------------------------------|---|--|-------------------------------|-------------------|
| Cost | | | | | | | |
| At 1 January 2013 | 13,315 | 1,157,961 | 6,799 | 1,759,581 | 648,406 | 32,477 | 3,618,539 |
| Additions | 28,093 | - | 57 | 402,757 | 39,769 | 9,263 | 479,939 |
| Transferred to subsidiaries | - | - | - | (4,977) | (12) | - | (4,989) |
| Disposals | - | - | - | (113,755) | (9,016) | (3,647) | (126,418) |
| At 31 December 2013 | 41,408 | 1,157,961 | 6,856 | 2,043,606 | 679,147 | 38,093 | 3,967,071 |
| At 1 January 2014 | 41,408 | 1,157,961 | 6,856 | 2,043,606 | 679,147 | 38,093 | 3,967,071 |
| Additions | 7,501 | 6,717 | 512 | 167,973 | 42,416 | 7,352 | 232,471 |
| Disposals | - | - | - | (90,484) | (8,203) | (527) | (99,214) |
| Transferred to subsidiaries | - | - | - | - | (17) | - | (17) |
| Transferred from investment properties (Note 7(a)) | - | 2,869 | - | - | - | - | 2,869 |
| At 31 December 2014 | 48,909 | 1,167,547 | 7,368 | 2,121,095 | 713,343 | 44,918 | 4,103,180 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2013 | - | 407,360 | 6,317 | 1,368,870 | 396,999 | 29,035 | 2,208,581 |
| Charge for the year | - | 42,408 | 255 | 128,959 | 34,750 | 2,215 | 208,587 |
| Transferred to subsidiaries | - | - | - | (4,832) | (12) | - | (4,844) |
| Written back on disposals | - | - | - | (110,889) | (8,918) | (3,646) | (123,453) |
| At 31 December 2013 | - | 449,768 | 6,572 | 1,382,108 | 422,819 | 27,604 | 2,288,871 |
| At 1 January 2014 | - | 449,768 | 6,572 | 1,382,108 | 422,819 | 27,604 | 2,288,871 |
| Charge for the year | - | 43,475 | 340 | 150,098 | 33,698 | 3,924 | 231,535 |
| Transferred to subsidiaries | - | - | - | - | (17) | - | (17) |
| Written back on disposals | - | - | - | (87,827) | (7,832) | (527) | (96,186) |
| Transferred from investment properties (Note 7(a)) | - | 220 | - | - | - | - | 220 |
| At 31 December 2014 | - | 493,463 | 6,912 | 1,444,379 | 448,668 | 31,001 | 2,424,423 |
| Net book value | | | | | | | |
| At 31 December 2014 | 48,909 | 674,084 | 456 | 676,716 | 264,675 | 13,917 | 1,678,757 |
| At 31 December 2013 | 41,408 | 708,193 | 284 | 661,498 | 256,328 | 10,489 | 1,678,200 |

Notes:

- (i) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK\$15,046,000 (2013: HK\$61,877,000) as they were not ready in use at the year end.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company (continued)

Notes:

- (ii) At 31 December 2014, the net book values of leasehold land held under finance leases were analysed as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| In Hong Kong held on: Leases of between 10 to 50 years | 183,507 | 183,429 |

- (iii) Construction in progress as at 31 December 2014 mainly comprised a building being constructed in Hong Kong.

7 INVESTMENT PROPERTIES

| | Group HK\$'000 | Company HK\$'000 |
|---|-------------------|---------------------|
| Cost | | |
| At 1 January 2013 | 13,726 | 2,869 |
| Additions | 1,237 | – |
| Exchange differences | 357 | – |
| At 31 December 2013 | 15,320 | 2,869 |
| At 1 January 2014 | 15,320 | 2,869 |
| Transferred to property, plant and equipment (note (a)) | (2,869) | (2,869) |
| Exchange differences | (42) | – |
| At 31 December 2014 | 12,409 | – |
| Accumulated depreciation | | |
| At 1 January 2013 | 878 | – |
| Charge for the year | 810 | 115 |
| Exchange differences | 37 | – |
| At 31 December 2013 | 1,725 | 115 |
| At 1 January 2014 | 1,725 | 115 |
| Charge for the year | 704 | 105 |
| Transferred to property, plant and equipment (note (a)) | (220) | (220) |
| Exchange differences | (2) | – |
| At 31 December 2014 | 2,207 | – |
| Net book value | | |
| At 31 December 2014 | 10,202 | – |
| At 31 December 2013 (note (b)) | 13,595 | 2,754 |
| Fair values | | |
| At 31 December 2014 (note (c)) | 12,004 | – |
| At 31 December 2013 | 13,343 | 2,264 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES (continued)

Notes:

- (a) During the year, certain properties with net book value of HK\$2,649,000 (2013: nil) were reclassified as property, plant and equipment (Note 6(a) and 6(b)) due to a change in usage.
- (b) Net book value for the Company's investment property comprises of the purchase price and the directly attributable expenditure for the acquisition. Variance in 2013 between the net book value and the fair value estimate was partial arising from the incremental costs capitalised in the cost of the investment property and no impairment indicator was identified.
- (c) The Group's investment properties were valued at 31 December 2014 and 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuation in 2014 was 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 2014 and 2013, 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:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Leases of between 10 to 50 years held outside Hong Kong | 66,378 | 69,834 | 17,821 | 18,235 |
| At 1 January | 69,834 | 71,470 | 18,235 | 18,650 |
| Amortisation (Note 25) | (3,266) | (3,247) | (414) | (415) |
| Exchange differences | (190) | 1,611 | – | – |
| At 31 December | 66,378 | 69,834 | 17,821 | 18,235 |

9 GOODWILL

| | Group HK\$'000 |
|------------------------------------|-------------------|
| At 1 January 2013 | |
| Cost | 181,439 |
| Accumulated impairment | (5,894) |
| Net book amount | 175,545 |
| Year ended 31 December 2013 | |
| Opening net book amount | 175,545 |
| Exchange differences | (3,815) |
| Closing net book amount | 171,730 |
| At 31 December 2013 | |
| Cost | 177,624 |
| Accumulated impairment | (5,894) |
| Net book amount | 171,730 |
| Year ended 31 December 2014 | |
| Opening net book amount | 171,730 |
| Goodwill written off (Note 33(b)) | (49,448) |
| Exchange differences | (6,639) |
| Closing net book amount | 115,643 |
| At 31 December 2014 | |
| Cost | 121,537 |
| Accumulated impairment | (5,894) |
| Net book amount | 115,643 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 GOODWILL (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment.

An operating segment-level summary of the goodwill allocation is presented below:

| | 2014 | | | 2013 | | |
|--------|--|-------------------------------|-------------------|--|-------------------------------|-------------------|
| | Overseas pay TV operations HK\$'000 | Taiwan operations HK\$'000 | Total HK\$'000 | Overseas pay TV operations HK\$'000 | Taiwan operations HK\$'000 | Total HK\$'000 |
| Europe | - | - | - | 49,448 | - | 49,448 |
| Taiwan | - | 115,643 | 115,643 | - | 122,282 | 122,282 |
| | - | 115,643 | 115,643 | 49,448 | 122,282 | 171,730 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The assumed growth rate does not exceed the long-term average growth rate in which the CGU operates. As explained in Note 33(b), the Group discontinued certain overseas pay TV operations in Europe, and accordingly goodwill amounting to HK\$49,448,000 was written off in 2014.

The key assumptions used for the value-in-use calculations are as follows:

| | 2014 | | 2013 | |
|-----------------------|----------------------------|-------------------|----------------------------|-------------------|
| | Overseas pay TV operations | Taiwan operations | Overseas pay TV operations | Taiwan operations |
| | Europe | Taiwan | Europe | Taiwan |
| Gross margin | - | 44% | 35% | 44% |
| Growth rate | - | 3% | 2% | 3% |
| Long term growth rate | - | 4% | 4% | 4% |
| Discount rate | - | 6% | 7% | 7% |

These assumptions have been used for the analysis of each CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

10 INTERESTS IN SUBSIDIARIES

| | Company | |
|--------------------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Unlisted shares, at cost | 147,960 | 78,454 |
| Amounts due from subsidiaries (note) | 868,835 | 866,614 |
| | 1,016,795 | 945,068 |

Note:

The amounts due from subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

Details of the principal subsidiaries at 31 December 2014 are listed in Note 40.

11 INTERESTS IN JOINT VENTURES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Investment cost | 6,351 | – | – | – |
| Less: accumulated share of losses | (6,351) | – | – | – |
| | – | – | – | – |
| Funds advanced to a joint venture (note (a)) | 41,981 | 26,231 | 41,981 | 26,231 |
| Loan to a joint venture (note (b)) | 15,877 | – | – | – |
| Interest receivable from a joint venture | 819 | – | – | – |
| | 58,677 | 26,231 | 41,981 | 26,231 |
| Less: share of losses in excess of investment costs | (13,768) | (12,950) | – | – |
| Less: provision for impairment loss | – | – | (12,950) | (12,950) |
| | 44,909 | 13,281 | 29,031 | 13,281 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTERESTS IN JOINT VENTURES (continued)

Notes:

- (a) The Group has advanced in aggregate HK\$41,981,000 (2013: HK\$26,231,000) to Concept Legend Limited (“Concept Legend”) for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment.
- (b) The Group has provided loan in aggregate HK\$15,877,000 (2013: nil) to 上海翡翠珍宝文化传媒有限公司 (“上海翡翠珍宝”) for its general operations. The loan is unsecured, interest bearing at 6% and has no fixed term of repayment.
- (c) As at 31 December 2014, the carrying amounts of the loan and advances approximated their fair values. The fair values are based on discounted cash flows and are included in level 2 fair value hierarchy.

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% |

Joint ventures held indirectly by the Company

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

There are no contingent liabilities relating to the Group's interest in the joint ventures. The Group has provided financial guarantee amounting to HK\$13,336,000 for securing payments due by 上海翡翠珍宝.

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

11 INTERESTS IN JOINT VENTURES (continued)

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

| | As at 31 December 2014 | | | As at 31 December 2013 |
|--|-------------------------------|------------------------|-------------------|-------------------------------|
| | Concept Legend HK\$'000 | 上海 翡翠珍宝 HK\$'000 | Total HK\$'000 | Concept Legend HK\$'000 |
| Assets | | | | |
| Cash and cash equivalents | 24,952 | 17,122 | 42,074 | 8,457 |
| Other current assets (excluding cash and cash equivalents) | 59,544 | 26,078 | 85,622 | 18,430 |
| Total current assets | 84,496 | 43,200 | 127,696 | 26,887 |
| Total non-current assets | – | 6,115 | 6,115 | 480 |
| | 84,496 | 49,315 | 133,811 | 27,367 |
| Liabilities | | | | |
| Current financial liabilities (excluding trade payables) | (107,243) | – | (107,243) | (52,462) |
| Other current liabilities (including trade payables) | (1,449) | (36,025) | (37,474) | (805) |
| Total current liabilities | (108,692) | (36,025) | (144,717) | (53,267) |
| Total non-current financial liabilities | – | (16,624) | (16,624) | – |
| | (108,692) | (52,649) | (161,341) | (53,267) |
| Net liabilities | (24,196) | (3,334) | (27,530) | (25,900) |
| Interest in joint ventures (50%; 50.1%) and carrying value* | (12,098) | (1,670) | (13,768) | (12,950) |

* excluding fund advanced, loan and interest receivable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

| | For the year ended 31 December 2014 | | | For the year ended 31 December 2013 |
|--|--|------------------------|-------------------|--|
| | Concept Legend HK\$'000 | 上海 翡翠珍宝 HK\$'000 | Total HK\$'000 | Concept Legend HK\$'000 |
| Revenue | 2,003 | 57,994 | 59,997 | 19,977 |
| Depreciation | – | (190) | (190) | – |
| Profit/(loss) from operations | 1,703 | (21,253) | (19,550) | (4,505) |
| Income tax credit | – | 5,313 | 5,313 | – |
| Post-tax profit/(loss) for the year | 1,703 | (15,940) | (14,237) | (4,505) |
| Other comprehensive income | | | | |
| Currency translation differences | – | (70) | (70) | – |
| Total comprehensive income/(loss) | 1,703 | (16,010) | (14,307) | (4,505) |
| Dividends received from joint ventures | – | – | – | – |

12 INTERESTS IN ASSOCIATES

| | Group | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Investment costs | 736,813 | 736,813 |
| Less: accumulated share of losses | (736,813) | (736,813) |
| | – | – |
| Loan to an associate (note (a)) | 719,212 | 719,212 |
| Interest receivable from an associate | 19,660 | 16,207 |
| | 738,872 | 735,419 |
| Less: share of losses in excess of investment costs | (118,269) | (45,887) |
| Less: provision for impairment loss | (89,817) | (89,817) |
| | 530,786 | 599,715 |

12 INTERESTS IN ASSOCIATES (continued)

| | Company | |
|---------------------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Loan to an associate (note (a)) | 719,212 | 719,212 |
| Interest receivable from an associate | 19,660 | 16,207 |
| | 738,872 | 735,419 |
| Less: provision for impairment loss | (208,086) | (135,704) |
| | 530,786 | 599,715 |

Notes:

- (a) The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan was repayable by 7 installments from 2016 to 2022.
- (b) In addition to the loan described in (a), the Group has trade receivables from associates of HK\$537,177,000 (2013: HK\$449,960,000) as disclosed in Note 15. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 15) to assess whether there is any potential impairment.
- (c) The carrying amount of the loan to the associate approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25% and is included in level 2 fair value hierarchy.
- (d) As at 31 December 2014, an additional impairment loss of HK\$72,382,000 (2013: HK\$45,887,000) was recognised at the Company level equivalent to the additional share of losses recognised in the consolidated income statement.

Details of the material associates are as follows:

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

An associate held indirectly by the Company

* The Group's equity interest was 90% and its voting interest remained at 15% as at 31 December 2014. The Group has the right of first refusal to acquire additional interests in the associate before the remaining shareholder may enter into a transaction of shares transfer with other parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INTERESTS IN ASSOCIATES (continued)

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

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

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

Summarised statement of financial position of TVB Pay Vision Holdings Limited group and reconciliation to the carrying amount of the Group's share of net liabilities of TVB Pay Vision Holdings Limited group:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2013 HK\$'000 |
|--|--|--|
| Assets | | |
| Cash and cash equivalents | 73,773 | 122,372 |
| Other current assets (excluding cash and cash equivalents) | 60,703 | 51,452 |
| Total current assets | 134,476 | 173,824 |
| Total non-current assets | 116,655 | 65,856 |
| | 251,131 | 239,680 |
| Liabilities | | |
| Current financial liabilities (excluding trade payables) | – | (10,415) |
| Other current liabilities (including trade payables) | (598,757) | (499,919) |
| Total current liabilities | (598,757) | (510,334) |
| Total non-current financial liabilities | (738,872) | (735,419) |
| | (1,337,629) | (1,245,753) |
| Net liabilities | (1,086,498) | (1,006,073) |
| Interest in associates (90%) | (977,848) | (905,466) |
| Goodwill | 859,579 | 859,579 |
| Carrying value* | (118,269) | (45,887) |

* excluding loan and interest receivable, and impairment provision

12 INTERESTS IN ASSOCIATES (continued)

Summarised consolidated statement of comprehensive income:

| | For the year ended 31 December 2014 HK\$'000 | For the year ended 31 December 2013 HK\$'000 |
|-----------------------------------|--|--|
| Revenue | 268,860 | 222,622 |
| Depreciation | (13,883) | (13,812) |
| Loss from operations | (80,425) | (58,509) |
| Post-tax loss for the year | (80,425) | (58,509) |
| Other comprehensive income | – | – |
| Total comprehensive loss | (80,425) | (58,509) |
| Dividends received from associate | – | – |

The Group does not recognise further losses and total comprehensive losses for its other immaterial associate for the years ended 31 December 2014 and 2013 because the Group's share of losses in this immaterial associate has accumulated up to its interest in the associate. The Group has shared cumulative losses of HK\$1,225,000 of this immaterial associate.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group 2014 HK\$'000 | 2013 HK\$'000 |
|---|---------------------------|------------------|
| Beginning and end of the year | 3 | 3 |
| Available-for-sale financial assets include the following: Unlisted equity securities – Canada | 3 | 3 |

14 STOCKS

At 31 December 2014 and 2013, all stocks were stated at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Non-current | | | | |
| Prepayments related to capital expenditure | 39,893 | – | 39,893 | – |
| Current | | | | |
| Trade receivables from: | | | | |
| Associates (Note 37(c)) | 537,177 | 449,960 | 534,479 | 447,755 |
| Related parties (Note 37(c)) | 42,691 | 66,124 | – | – |
| Third parties (note) | 1,550,881 | 1,518,895 | 1,040,546 | 1,026,715 |
| | 2,130,749 | 2,034,979 | 1,575,025 | 1,474,470 |
| Less: provision for impairment loss on receivables from: | | | | |
| Associates (Note 4(c)) | (421,626) | (421,626) | (420,183) | (420,183) |
| Third parties | (72,754) | (99,441) | (31,700) | (50,100) |
| Amounts due from subsidiaries | – | – | 95,704 | 213,634 |
| Amounts due from joint ventures | 2,256 | – | 2,256 | – |
| Other receivables, prepayments and deposits | 478,243 | 598,369 | 271,779 | 446,584 |
| Tax reserve certificates | 422,072 | 369,470 | – | – |
| | 2,538,940 | 2,481,751 | 1,492,881 | 1,664,405 |
| | 2,578,833 | 2,481,751 | 1,532,774 | 1,664,405 |

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.

The amounts due from subsidiaries are unsecured and interest free, and are repayable on demand.

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

At 31 December 2014, the ageing of trade receivables based on invoice date including trading balances due from associates and related parties was as follows:

| | Group | | Company | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Current | 563,503 | 634,561 | 275,688 | 298,727 |
| 1-2 months | 341,718 | 357,810 | 258,694 | 293,401 |
| 2-3 months | 251,162 | 264,226 | 202,741 | 214,340 |
| 3-4 months | 203,377 | 168,395 | 163,774 | 128,428 |
| 4-5 months | 83,649 | 73,401 | 69,779 | 59,211 |
| Over 5 months | 687,340 | 536,586 | 604,349 | 480,363 |
| | 2,130,749 | 2,034,979 | 1,575,025 | 1,474,470 |
| Trade receivables due from: | | | | |
| Third parties | 1,550,881 | 1,518,895 | 1,040,546 | 1,026,715 |
| Associates and related parties | 579,868 | 516,084 | 534,479 | 447,755 |
| | 2,130,749 | 2,034,979 | 1,575,025 | 1,474,470 |

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

| | Group | | Company | |
|--------------------|------------|------------|------------|------------|
| | 2014 % | 2013 % | 2014 % | 2013 % |
| Hong Kong dollars | 79 | 77 | 100 | 100 |
| US dollars | 6 | 8 | – | – |
| New Taiwan dollars | 8 | 8 | – | – |
| Malaysian Ringgit | 2 | 3 | – | – |
| Renminbi | 4 | 3 | – | – |
| Other currencies | 1 | 1 | – | – |
| | 100 | 100 | 100 | 100 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2014, trade receivables past due but not impaired were aged as follows:

| | Group | | Company | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Up to 5 months | 596,687 | 592,285 | 520,259 | 469,396 |
| Over 5 months to 1 year | 149,608 | 30,247 | 124,680 | 17,500 |
| Over 1 year | 45,919 | 5,748 | 27,786 | 24 |
| | 792,214 | 628,280 | 672,725 | 486,920 |

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

As at 31 December 2014, trade receivables which were impaired were aged as follows:

| | Group | | Company | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Up to 5 months | 2,567 | 20,476 | – | 7,444 |
| Over 5 months to 1 year | 8,306 | 45,262 | 3,901 | 41,518 |
| Over 1 year | 483,507 | 455,329 | 447,982 | 421,321 |
| | 494,380 | 521,067 | 451,883 | 470,283 |

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

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 521,067 | 512,720 | 470,283 | 470,283 |
| Provision for impairment loss | | | | |
| – Third parties | 7,173 | 18,264 | – | – |
| Reversal of provision for impairment | | | | |
| – Associates | – | (48) | – | – |
| – Third parties | (33,134) | (5,785) | (18,300) | – |
| Receivables written off as uncollectible | (375) | (3,870) | (100) | – |
| Liquidation of subsidiaries | (211) | – | – | – |
| Exchange differences | (140) | (214) | – | – |
| At 31 December | 494,380 | 521,067 | 451,883 | 470,283 |

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

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

16 HELD-TO-MATURITY FINANCIAL ASSETS

| | Group and Company | |
|---|-------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Unlisted securities: | | |
| Certificate of deposit with fixed interest of 3.10% pa and maturity date of 6 October 2014 | – | 127,194 |
| Certificate of deposit with fixed interest of 3.00% pa and maturity date of 17 October 2014 | – | 127,194 |
| Certificate of deposit with fixed interest of 2.90% pa and maturity date of 20 October 2014 | – | 127,194 |
| | – | 381,582 |

The held-to-maturity financial assets, denominated in Renminbi and pledged to secure bank loans granted to the Company, were redeemed in October 2014. The carrying amounts of the certificates of deposit approximated their fair values and were included in level 2 fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 RESTRICTED CASH

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Pledged bank deposits and cash kept at banks | 9,039 | 51,151 | – | 19,421 |

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

The carrying amount of restricted cash approximates its fair value.

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Bank deposits maturing after three months | 135,676 | 291,045 | 133,473 | 284,731 |
| Cash at bank and on hand | 587,398 | 221,712 | 33,387 | 23,980 |
| Short-term bank deposits | 2,608,471 | 2,387,681 | 1,831,619 | 1,858,043 |
| Cash and cash equivalents | 3,195,869 | 2,609,393 | 1,865,006 | 1,882,023 |
| | 3,331,545 | 2,900,438 | 1,998,479 | 2,166,754 |

Note:

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

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

| | Group | | Company | |
|--------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Hong Kong dollars | 803,581 | 953,624 | 542,895 | 730,565 |
| US dollars | 789,971 | 896,686 | 348,586 | 681,350 |
| Renminbi | 1,353,652 | 862,481 | 1,106,667 | 754,221 |
| New Taiwan dollars | 341,097 | 114,514 | 33 | 5 |
| Other currencies | 43,244 | 73,133 | 298 | 613 |
| | 3,331,545 | 2,900,438 | 1,998,479 | 2,166,754 |

19 SHARE CAPITAL

| | 31 December 2014 | | 31 December 2013 | |
|---|------------------------------|----------|------------------------------|----------|
| | Number of shares (thousands) | HK\$'000 | Number of shares (thousands) | HK\$'000 |
| Authorised: (note (a)) | | | | |
| Ordinary shares of HK\$0.05 each (note (b)) | – | – | 1,300,000 | 65,000 |

| | Number of shares (thousands) | Share capital HK\$'000 |
|--|------------------------------|------------------------|
| Ordinary shares, issued and fully paid: | | |
| At 1 January 2013 and 31 December 2013 | 438,000 | 21,900 |
| At 1 January 2014 | 438,000 | 21,900 |
| Transition to no-par value regime on 3 March 2014 (note (c)) | – | 642,144 |
| At 31 December 2014 | 438,000 | 664,044 |

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium and capital redemption reserve accounts have become part of the Company's share capital (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 OTHER STATUTORY CAPITAL RESERVES AND OTHER RESERVES

(a) Group

| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | General reserve HK\$'000 | Capital reserve HK\$'000 | Legal reserve HK\$'000 | Translation reserve HK\$'000 | Total HK\$'000 |
|---|------------------------------|--|--------------------------------|--------------------------------|------------------------------|------------------------------------|-------------------|
| Balance at 1 January 2013 | 602,026 | 40,118 | 70,000 | (191) | 136,899 | 12,753 | 861,605 |
| Currency translation differences: | | | | | | | |
| – Group | - | - | - | - | - | (49,406) | (49,406) |
| Transferred from retained earnings | - | - | - | - | 31,055 | - | 31,055 |
| Balance at 31 December 2013 | 602,026 | 40,118 | 70,000 | (191) | 167,954 | (36,653) | 843,254 |
| Balance at 1 January 2014 | 602,026 | 40,118 | 70,000 | (191) | 167,954 | (36,653) | 843,254 |
| Transition to no-par value regime on 3 March 2014 (Note 19) | (602,026) | (40,118) | - | - | - | - | (642,144) |
| Transferred from retained earnings | - | - | - | - | 19,982 | - | 19,982 |
| Currency translation differences: | | | | | | | |
| – Group | - | - | - | - | - | (87,252) | (87,252) |
| – Joint ventures | - | - | - | - | - | (35) | (35) |
| Reclassification adjustment to profit or loss on liquidation of subsidiaries | - | - | - | - | - | 25,436 | 25,436 |
| Balance at 31 December 2014 | - | - | 70,000 | (191) | 187,936 | (98,504) | 159,241 |

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

Legal reserve – in accordance with the local laws of subsidiaries in Taiwan, these subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve to the extent that the legal reserve amounts to total contributed share capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital.

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

20 OTHER STATUTORY CAPITAL RESERVES AND OTHER RESERVES (continued)

(b) Company

| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | General reserve HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|--------------------------------|-------------------|
| Balance at 1 January 2013 and 31 December 2013 | 602,026 | 40,118 | 70,000 | 712,144 |
| Balance at 1 January 2014 | 602,026 | 40,118 | 70,000 | 712,144 |
| Transition to no-par value regime on 3 March 2014 (Note 19) | (602,026) | (40,118) | – | (642,144) |
| Balance at 31 December 2014 | – | – | 70,000 | 70,000 |

21 TRADE AND OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Trade payables to: | | | | |
| Associates (Note 37(c)) | – | 135 | – | – |
| Related parties (Note 37(c)) | 6,007 | 9,443 | 1,080 | – |
| Third parties | 134,075 | 131,095 | 49,827 | 74,435 |
| | 140,082 | 140,673 | 50,907 | 74,435 |
| Amounts due to subsidiaries | – | – | 67,363 | 4,146 |
| Amounts due to a joint venture | 1 | – | – | – |
| Receipts in advance, deferred income and customers' deposits | 124,703 | 155,794 | 47,146 | 49,869 |
| Provision for employee benefits and other expenses | 276,631 | 328,075 | 156,495 | 191,441 |
| Accruals and other payables | 251,602 | 314,273 | 167,403 | 193,297 |
| | 793,019 | 938,815 | 489,314 | 513,188 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

At 31 December 2014, the ageing of trade payables based on invoice date including trading balances due to associates and related parties was as follows:

| | Group | | Company | |
|---------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Current | 109,530 | 93,983 | 42,751 | 54,293 |
| 1-2 months | 25,054 | 34,176 | 6,753 | 13,629 |
| 2-3 months | 3,497 | 9,652 | 1,067 | 5,819 |
| 3-4 months | 690 | 767 | 280 | 487 |
| 4-5 months | 176 | 1,222 | 38 | 205 |
| Over 5 months | 1,135 | 873 | 18 | 2 |
| | 140,082 | 140,673 | 50,907 | 74,435 |

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

| | Group | | Company | |
|--------------------|-----------|-----------|-----------|-----------|
| | 2014 % | 2013 % | 2014 % | 2013 % |
| Hong Kong dollars | 30 | 41 | 61 | 64 |
| US dollars | 14 | 19 | 39 | 36 |
| New Taiwan dollars | 19 | 24 | – | – |
| Renminbi | 32 | 8 | – | – |
| Malaysian Ringgit | 4 | 7 | – | – |
| Other currencies | 1 | 1 | – | – |
| | 100 | 100 | 100 | 100 |

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

22 BORROWINGS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Non-current | | | | |
| Long-term bank loan, secured | 293,700 | – | – | – |
| Current | | | | |
| Short-term bank loans, secured | 97,900 | 228,080 | – | 228,080 |
| Current portion of long-term bank loan, secured | – | 24,277 | – | – |
| | 97,900 | 252,357 | – | 228,080 |
| Total bank borrowings | 391,600 | 252,357 | – | 228,080 |

22 BORROWINGS (continued)

At 31 December 2014, bank borrowings were repayable as follows:

| | Group | | Company | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Within 1 year | 97,900 | 252,357 | – | 228,080 |
| Between 1 and 2 years | 9,790 | – | – | – |
| Between 2 and 5 years | 176,220 | – | – | – |
| Over 5 years | 107,690 | – | – | – |
| | 391,600 | 252,357 | – | 228,080 |

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Wholly repayable within 5 years | 97,900 | 252,357 | – | 228,080 |
| Wholly repayable after 5 years | 293,700 | – | – | – |
| | 391,600 | 252,357 | – | 228,080 |

The long-term bank loan is secured by land and buildings with a net book value of HK\$623,435,000 (2013: HK\$672,480,000).

The current year short-term bank loan is secured by land and buildings with a net book value of HK\$96,637,000. Last year short-term bank loans were secured by certificates of deposit of HK\$381,582,000 and a bank deposit of HK\$19,421,000.

The effective interest rate of the floating rated long-term bank loan at the end of the reporting period was 1.82% (2013: 1.85%). The effective interest rate of the short-term bank loans of fixed rate at the end of the reporting period was 2.02% (2013: 1.49%).

The carrying amount of the Group's long-term bank loan approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flow discounted using a rate based on the borrowing rate of 1.80% (2013: 1.83%). The carrying amounts of short-term bank loans approximate their fair values. The borrowings are included in level 2 fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | Group | | Company | |
|--------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| New Taiwan dollars | 391,600 | 24,277 | – | – |
| US dollars | – | 228,080 | – | 228,080 |
| | 391,600 | 252,357 | – | 228,080 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED INCOME TAX

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Net deferred income tax assets recognised on the statement of financial position | (23,529) | (28,369) | – | – |
| Net deferred income tax liabilities recognised on the statement of financial position | 181,080 | 190,681 | 112,320 | 103,108 |
| | 157,551 | 162,312 | 112,320 | 103,108 |

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 162,312 | 122,997 | 103,108 | 70,753 |
| Exchange differences | 717 | 660 | – | – |
| Recognised in the income statement (Note 29) | (5,673) | 34,618 | 9,212 | 32,355 |
| Recognised in other comprehensive income | 352 | 4,037 | – | – |
| Liquidation of subsidiaries (Note 33(b)) | (157) | – | – | – |
| At 31 December | 157,551 | 162,312 | 112,320 | 103,108 |

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 2014, the Group has unrecognised tax losses of HK\$148,629,000 (2013: HK\$182,464,000) to carry forward against future taxable income. These tax losses will expire as follows:

| | Group | | Company | |
|----------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| After the fifth year | 2,313 | 785 | – | – |
| No expiry date | 146,316 | 181,679 | – | – |
| At 31 December | 148,629 | 182,464 | – | – |

23 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:

(a) Group

Deferred income tax liabilities

| | Accelerated tax depreciation HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|------------------------------------|---|--------------------|-------------------|
| At 1 January 2013 | 81,859 | 80,749 | 162,608 |
| Recognised in the income statement | 32,138 | 3,133 | 35,271 |
| Exchange differences | 88 | (23) | 65 |
| At 31 December 2013 | 114,085 | 83,859 | 197,944 |
| Recognised in the income statement | 8,201 | (9,987) | (1,786) |
| Liquidation of subsidiaries | (157) | – | (157) |
| Exchange differences | 90 | 1 | 91 |
| At 31 December 2014 | 122,219 | 73,873 | 196,092 |

Deferred income tax assets

| | Retirement benefit obligations HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|--|--|------------------------|--------------------|-------------------|
| At 1 January 2013 | 11,476 | – | 28,135 | 39,611 |
| Recognised in the income statement | (233) | – | 886 | 653 |
| Recognised in other comprehensive income | (4,037) | – | – | (4,037) |
| Exchange differences | (315) | – | (280) | (595) |
| At 31 December 2013 | 6,891 | – | 28,741 | 35,632 |
| Recognised in the income statement | (792) | 70 | 4,609 | 3,887 |
| Recognised in other comprehensive income | (352) | – | – | (352) |
| Exchange differences | (327) | – | (299) | (626) |
| At 31 December 2014 | 5,420 | 70 | 33,051 | 38,541 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED INCOME TAX (continued)

(b) Company

Deferred income tax liabilities

| | Accelerated tax depreciation HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|------------------------------------|---|--------------------|-------------------|
| At 1 January 2013 | 80,508 | 1,167 | 81,675 |
| Recognised in the income statement | 30,860 | (352) | 30,508 |
| At 31 December 2013 | 111,368 | 815 | 112,183 |
| Recognised in the income statement | 6,133 | (221) | 5,912 |
| At 31 December 2014 | 117,501 | 594 | 118,095 |

Deferred income tax assets

| | Others HK\$'000 | Total HK\$'000 |
|------------------------------------|--------------------|-------------------|
| At 1 January 2013 | 10,922 | 10,922 |
| Recognised in the income statement | (1,847) | (1,847) |
| At 31 December 2013 | 9,075 | 9,075 |
| Recognised in the income statement | (3,300) | (3,300) |
| At 31 December 2014 | 5,775 | 5,775 |

24 RETIREMENT BENEFIT OBLIGATIONS

| | Group | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Obligations on: | | |
| Pensions – defined contribution plans (note (a)) | 9,091 | 9,928 |
| Pensions – defined benefit plans (note (b)) | 34,628 | 41,429 |
| | 43,719 | 51,357 |

24 RETIREMENT BENEFIT OBLIGATIONS (continued)

Notes:

(a) Pensions – defined contribution plans

No forfeited contribution (2013: forfeited contributions of HK\$11,000) was utilised during the year.

Contributions totalling HK\$9,091,000 (2013: HK\$9,928,000) were payable to the fund at the year end and are included in other payables and accruals.

(b) Pensions – defined benefit plans

The Group operates a defined benefit retirement scheme providing benefits to eligible employees located in Taiwan under local regulations.

The pension plan is a final salary defined benefit plan. The assets of the funded plan are held independently of those of the Group, being invested through a central trust fund. The plan is valued by a qualified actuary annually using the projected unit credit method. The latest valuation was carried out as of 31 December 2014 by ClientView Management Consulting Co., Ltd..

The amounts recognised in the consolidated statement of financial position are determined as follows:

| | Group | |
|---|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Present value of funded obligations | 95,711 | 104,865 |
| Fair value of plan assets | (61,083) | (63,436) |
| Liability in the consolidated statement of financial position | 34,628 | 41,429 |

Expected contributions to defined benefit plans for the year ending 31 December 2015 are HK\$3,390,000 (2014: HK\$4,091,000).

Plan assets comprise:

| | Group | | | |
|---------------|----------|-----|----------|-----|
| | 2014 | | 2013 | |
| | HK\$'000 | % | HK\$'000 | % |
| Bank deposits | 11,679 | 19 | 14,502 | 23 |
| Equity | 19,150 | 31 | 15,110 | 24 |
| Debt | 17,323 | 29 | 20,033 | 31 |
| Others | 12,931 | 21 | 13,791 | 22 |
| | 61,083 | 100 | 63,436 | 100 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

Under the local regulations, the Bank of Taiwan is commissioned to manage the plan assets of defined benefit pension plan of the Company's subsidiaries in Taiwan together with other participants in accordance with the annual investment plan and within the scope of utilisation for the plan assets (including deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products and etc.). Its minimum earnings in the annual distributions shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Further information related to constitution of fair value of plan assets as of 31 December 2014 and 2013 is published publicly by the local authority.

The movements in the present value of the defined benefit obligations recognised in the consolidated statement of financial position are as follows:

| | Group | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 104,865 | 135,754 |
| Current service cost | 342 | 479 |
| Interest cost | 2,053 | 2,110 |
| | 2,395 | 2,589 |
| Remeasurement: | | |
| – Gain from experience adjustments | (2,128) | (1,520) |
| – Loss from change in demographic assumptions | 225 | 4,355 |
| – Gain from change in financial assumptions | – | (26,822) |
| | (1,903) | (23,987) |
| Benefits paid | 105,357 | 114,356 |
| Defined benefit obligation reduction due to curtailment/settlement | (4,072) | (2,652) |
| Exchange differences | (29) | (2,940) |
| | (5,545) | (3,899) |
| At 31 December | 95,711 | 104,865 |

24 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

The movements in the fair value of plan assets of the year are as follows:

| | Group | |
|----------------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 63,436 | 63,025 |
| Interest income | 1,297 | 1,021 |
| Gain/(loss) on plan assets | 168 | (239) |
| Employer contributions | 3,744 | 4,206 |
| Benefits paid | (4,072) | (2,652) |
| Exchange differences | (3,490) | (1,925) |
| At 31 December | 61,083 | 63,436 |

The movements in defined benefit liability of the year are as follows:

| | Group | |
|--|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| At 1 January | 41,429 | 72,729 |
| Income statement charge: | | |
| – Current service cost | 342 | 479 |
| – Past service cost | (29) | (2,940) |
| – Interest cost | 756 | 1,089 |
| Total, included in employee benefit expense (Note 26(b)) | 1,069 | (1,372) |
| Remeasurement: | | |
| – Gain from experience adjustments | (2,128) | (1,520) |
| – Loss from change in demographic assumptions | 225 | 4,355 |
| – Gain from change in financial assumptions | – | (26,822) |
| – (Gains)/losses on plan assets arising from experience adjustment | (168) | 239 |
| | (2,071) | (23,748) |
| Less: contribution paid | (3,744) | (4,206) |
| Exchange differences | (2,055) | (1,974) |
| At 31 December | 34,628 | 41,429 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Pensions – defined benefit plans (continued)

The principal actuarial assumptions used were as follows:

| | Group | |
|--|-----------|-----------|
| | 2014 % | 2013 % |
| Discount rate | 2.00 | 2.00 |
| Expected rate of future salary increases | 2.00 | 2.00 |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact of defined benefit obligation | | |
|--------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| | Changes in assumption | Increase in assumption HK\$'000 | Decrease in assumption HK\$'000 |
| Discount rate | 0.25% | Decrease by 3,273 | Increase by 3,423 |
| Salary growth rate | 0.25% | Increase by 3,414 | Decrease by 3,280 |

The weighted average durations of the defined benefit obligation of the two Taiwan subsidiaries are 14 and 17 years respectively.

Expected maturity analysis of undiscounted defined benefit obligation:

| | Group | |
|-----------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Within one year | 1,372 | 758 |
| Between 1 and 2 years | 1,154 | 1,229 |
| Between 2 and 5 years | 7,501 | 6,454 |
| Over 5 years | 119,266 | 136,340 |
| | 129,293 | 144,781 |

25 PROFIT BEFORE INCOME TAX

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Net exchange loss/(gain) | 14,659 | (6,907) |
| Gross rental income from investment properties | (2,424) | (2,884) |
| Direct operating expenses arising from investment properties | 502 | 513 |
| Loss on disposals of property, plant and equipment | 382 | 4 |
| Auditors' remuneration | 4,560 | 4,902 |
| Non-audit service fees (mainly tax and consultancy services) | 6,531 | 3,175 |
| Cost of programmes, film rights and stocks | 1,719,575 | 1,493,540 |
| Depreciation (Note 6 and 7) | 314,123 | 279,424 |
| Amortisation of land use rights (Note 8) | 3,266 | 3,247 |
| Operating leases | | |
| – Equipment and transponders | 20,720 | 22,133 |
| – Land and buildings | 37,806 | 32,025 |
| Employee benefit expense (excluding directors' emoluments) (Note 26(b)) | 1,776,086 | 1,622,597 |

26 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE

(a) Directors' emoluments

The emoluments of all Directors for the year ended 31 December 2014 and 2013 are set out below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

| Name of Director | 2013 | | | | | Total HK\$'000 |
|---|------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|-------------------|
| | Fees HK\$'000 | Salaries HK\$'000 | Discretionary bonuses HK\$'000 | Gratuity HK\$'000 | Pension contributions HK\$'000 | |
| Dr. Norman Leung Nai Pang, GBS, LLD, JP | 180 | 5,760 | 3,600 | – | 15 | 9,555 |
| Mark Lee Po On | 180 | 4,915 | 3,000 | – | 460 | 8,555 |
| Mona Fong | 330 | – | – | – | – | 330 |
| Kevin Lo Chung Ping | 430 | – | – | – | – | 430 |
| Dr. Charles Chan Kwok Keung | 330 | – | – | – | – | 330 |
| Cher Wang Hsiueh Hong | 180 | – | – | – | – | 180 |
| Jonathan Milton Nelson | 180 | – | – | – | – | 180 |
| Anthony Lee Hsien Pin | 230 | – | – | – | – | 230 |
| Chen Wen Chi | 330 | – | – | – | – | 330 |
| Dr. Chow Yei Ching, GBS | 240 | – | – | – | – | 240 |
| Edward Cheng Wai Sun, SBS, JP | 280 | – | – | – | – | 280 |
| Chien Lee | 340 | – | – | – | – | 340 |
| Gordon Siu Kwing Chue, GBS, JP | 370 | – | – | – | – | 370 |
| Raymond Or Ching Fai, SBS, JP | 217 | – | – | – | – | 217 |
| | 3,817 | 10,675 | 6,600 | – | 475 | 21,567 |

Notes:

- (i) Dr. Norman Leung Nai Pang retired on 1 January 2015 and received an amount of HK\$6,400,000 as gratuity upon his retirement.
- (ii) Mr. Mark Lee Po On assumed the functions of the Chief Executive of the Company during the year, and was re-titled as the Group Chief Executive Officer with effect from 1 January 2015.
- (iii) Mr. Kevin Lo Chung Ping and Mr. Chien Lee retired on 15 May 2014.

(b) Employee benefit expense

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Wages and salaries | 1,674,738 | 1,530,687 |
| Pension costs – defined contribution plans | 100,279 | 93,282 |
| Pension costs – defined benefit plans (Note 24(b)) | 1,069 | (1,372) |
| | 1,776,086 | 1,622,597 |

26 DIRECTORS' EMOLUMENTS AND EMPLOYEE BENEFIT EXPENSE (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) Directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------|------------------|------------------|
| Salaries and leave pay | 11,411 | 9,468 |
| Bonuses | 3,498 | 3,800 |
| Pension contributions | 709 | 947 |
| | 15,618 | 14,215 |

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

| Emolument bands | Number of individuals in each band | |
|-------------------------------|---------------------------------------|----------|
| | 2014 | 2013 |
| HK\$3,500,001 – HK\$4,000,000 | 1 | – |
| HK\$4,000,001 – HK\$4,500,000 | – | 2 |
| HK\$5,000,001 – HK\$5,500,000 | 1 | – |
| HK\$6,000,001 – HK\$6,500,000 | – | 1 |
| HK\$6,500,001 – HK\$7,000,000 | 1 | – |
| | 3 | 3 |

(d) 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 | |
|-------------------------------|--|----------|
| | 2014 | 2013 |
| HK\$2,000,001 – HK\$2,500,000 | 1 | 1 |
| HK\$2,500,001 – HK\$3,000,000 | 1 | 1 |
| HK\$3,000,001 – HK\$3,500,000 | – | 1 |
| HK\$3,500,001 – HK\$4,000,000 | 1 | – |
| HK\$6,000,001 – HK\$6,500,000 | – | 1 |
| HK\$6,500,001 – HK\$7,000,000 | 1 | – |
| HK\$8,000,001 – HK\$8,500,000 | – | 1 |
| HK\$8,500,001 – HK\$9,000,000 | 1 | – |
| | 5 | 5 |

* included one (2013: one) Director of the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 OTHER (LOSSES)/GAINS, NET

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Net loss on liquidation of subsidiaries (Note 33(b)) | (71,706) | – |
| Net exchange (loss)/gain | (14,659) | 6,907 |
| | (86,365) | 6,907 |

28 FINANCE COSTS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Interest on bank borrowings | | |
| – Wholly repayable within 5 years | 2,938 | 2,268 |
| – Wholly repayable after 5 years | 596 | – |
| | 3,534 | 2,268 |

29 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Current income tax: | | |
| – Hong Kong | 214,786 | 223,357 |
| – Overseas | 124,054 | 97,799 |
| – (Over)/under provisions in prior years | (16,410) | 2,652 |
| Total current income tax | 322,430 | 323,808 |
| Deferred income tax: | | |
| – Origination and reversal of temporary differences | (5,681) | 34,594 |
| – Effect of decrease in tax rate | 8 | 24 |
| Total deferred income tax (Note 23) | (5,673) | 34,618 |
| | 316,757 | 358,426 |

29 INCOME TAX EXPENSE (continued)

Note:

In 2004, the Inland Revenue Department of Hong Kong ("IRD") initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the ten consecutive years of assessment from 1998/99 to 2007/08 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK\$23,990,000, HK\$23,561,000, HK\$20,205,000, HK\$35,028,000, HK\$49,365,000, HK\$53,809,000, HK\$56,199,000, HK\$56,434,000, HK\$50,879,000 and HK\$41,203,000 for the ten consecutive years of assessment from 1998/99 to 2007/08 respectively. The total amount of tax reserve certificates purchased by the Group for the tax audit was HK\$410,673,000.

In December 2014, the Group reached a settlement with the IRD on the tax audit, covering the years of assessment 1998/99 to 2012/13. The total additional tax payable under the settlement is HK\$350,981,000. A refund of the tax reserve certificates over-purchased of HK\$59,692,000 plus the interest thereon is expected to be received subsequent to the year end.

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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 1,736,352 | 2,120,615 |
| Calculated at a taxation rate of 16.5% (2013: 16.5%) | 286,498 | 349,901 |
| Effect of different taxation rates in other countries | 4,363 | (41,616) |
| Tax effect on the share of results of associates and joint ventures | 13,799 | 9,060 |
| Income not subject to taxation | (44,840) | (8,733) |
| Expenses not deductible for taxation purposes | 28,343 | 8,053 |
| Tax losses not recognised | 12,218 | 6,604 |
| Utilisation of previously unrecognised tax losses | (580) | (712) |
| Tax credit allowance | (15,394) | (535) |
| Withholding tax on overseas dividend | 32,378 | 19,076 |
| Tax levied on undistributed profits | 17,501 | 22,245 |
| Allowance for previous non-deductible expenses | (2,296) | (2,042) |
| Remeasurement of deferred tax due to change in tax rate | 8 | 24 |
| Others | 1,169 | (5,551) |
| (Over)/under provisions in prior years | (16,410) | 2,652 |
| | 316,757 | 358,426 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$921,016,000 (2013: HK\$1,695,215,000).

31 EARNINGS PER SHARE

Earnings per share is calculated based on the Group's profit attributable to equity holders of HK\$1,409,632,000 (2013: HK\$1,737,987,000) and 438,000,000 shares in issue throughout the years ended 31 December 2014 and 2013. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

32 DIVIDENDS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Interim dividend paid of HK\$0.60 (2013: HK\$0.60) per ordinary share | 262,800 | 262,800 |
| Proposed final dividend of HK\$2.00 (2013: HK\$2.00) per ordinary share | 876,000 | 876,000 |
| Proposed special dividend of HK\$2.30 (2013: nil) per ordinary share | 1,007,400 | – |
| | 2,146,200 | 1,138,800 |

At a meeting held on 31 March 2015, the Directors recommended a final dividend of HK\$2.00 per ordinary share and a special dividend of HK\$2.30 per ordinary share. The proposed dividends are not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Profit before income tax | 1,736,352 | 2,120,615 |
| Adjustments for: | | |
| Depreciation and amortisation | 317,389 | 282,671 |
| Defined benefit plans | (2,675) | (5,578) |
| Net loss on liquidation of subsidiaries | 71,706 | – |
| Provision for impairment loss on trade receivables | 7,173 | 18,264 |
| Reversal of provision for impairment on trade receivables | (33,134) | (5,833) |
| Loss on disposal of property, plant and equipment | 382 | 4 |
| Share of losses of joint ventures | 7,134 | 2,252 |
| Share of losses of associates | 72,382 | 52,658 |
| Interest income | (63,261) | (49,488) |
| Finance costs | 3,534 | 2,268 |
| Exchange differences | (255) | (5,969) |
| | 2,116,727 | 2,411,864 |
| Increase in programmes, film rights and stocks | (300,251) | (91,958) |
| Increase in trade and other receivables, prepayments and deposits | (36,278) | (520,210) |
| Decrease in trade and other payables and accruals | (131,840) | (57,624) |
| Cash generated from operations | 1,648,358 | 1,742,072 |

(b) Net loss on liquidation of subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

| | 2014 HK\$'000 |
|--|------------------|
| Net assets disposed: | |
| Property, plant and equipment | 2,549 |
| Programme and film rights | 307 |
| Stocks | 1,309 |
| Trade and other receivables, prepayments and deposits | 3,927 |
| Cash and cash equivalents | 2,371 |
| Trade and other payables and accruals | (13,326) |
| Current income tax liabilities | (158) |
| Deferred income tax liabilities | (157) |
| | (3,178) |
| Goodwill | 49,448 |
| Exchange loss transferred from translation reserve (Note 20(a)) | 25,436 |
| Net loss on liquidation of subsidiaries | 71,706 |
| Analysis of net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries: | |
| Cash and cash equivalents | (2,371) |

34 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Guarantees for banking facilities granted to: | | | | |
| An investee company | 8,691 | 9,468 | – | – |
| A joint venture (Note 11) | 13,336 | – | – | – |
| | 22,027 | 9,468 | – | – |

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

35 COMMITMENTS

(a) Capital commitments

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

| | Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Authorised but not contracted for | 759,549 | 1,153,365 | 607,132 | 702,215 |
| Contracted but not provided for | 100,044 | 92,023 | 87,768 | 76,032 |
| | 859,593 | 1,245,388 | 694,900 | 778,247 |

(b) Contractual programme rights commitments

The amounts of commitments for programme rights are as follows:

| | Group | | Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Programme rights commitments | 310,015 | 122,545 | 304,856 | 117,920 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 COMMITMENTS (continued)

(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:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Land and buildings | | | | |
| – not later than one year | 29,027 | 29,301 | 13,493 | 12,084 |
| – later than one year and not later than five years | 13,615 | 36,841 | 4,089 | 14,999 |
| | 42,642 | 66,142 | 17,582 | 27,083 |
| Equipment and transponders | | | | |
| – not later than one year | 23,278 | 16,809 | – | – |
| – later than one year and not later than five years | 43,621 | 44,982 | – | – |
| | 66,899 | 61,791 | – | – |
| | 109,541 | 127,933 | 17,582 | 27,083 |

The Group and the Company lease 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 25.

(d) Operating lease commitments as lessor

At 31 December 2014, the Group and the Company had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Land and buildings | | | | |
| – not later than one year | 8,460 | 2,977 | 7,999 | – |
| – later than one year and not later than five years | 23,996 | 768 | 23,996 | – |
| | 32,456 | 3,745 | 31,995 | – |

35 COMMITMENTS (continued)

(e) Other commitments

A subsidiary of the Group obtained a licence to (i) conduct media sales management services and (ii) solicit advertising business in respect of the interior display panels of buses operated under certain public transportation systems in Shanghai, for a term of five years commencing from 1 January 2014. The subsidiary has a commitment to the licensor to pay future license fees. On 1 April 2014, the subsidiary transferred all rights and obligations under the licence to a joint venture held by the subsidiary.

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Not later than one year | – | 89,036 | – | – |
| Later than one year and not later than five years | – | 449,135 | – | – |
| | – | 538,171 | – | – |

36 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme licence granted by the Government of the HKSAR which runs for a period of twelve years to 30 November 2015. Following the mid-term review of the licence conducted by the Broadcasting Authority ("BA") (Communications Authority has replaced BA since 1 April 2012), the Government announced on 2 July 2010 that the Chief Executive-in-Council had approved the recommendations made by the BA, including new licence conditions to be imposed for the six-year period from 2010 to 2015. Under the new licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million for the six-year period from 2010 to 2015; (ii) commit to enhanced programme requirements; (iii) increase the amount of high definition television programming; (iv) step up incrementally its subtitling service; and (v) participate in annual public engagement activities in the form of focus group discussion to be conducted by the BA. In November 2013, the Company has submitted an application for the renewal of the licence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Sales of services: | | | |
| <i>Joint ventures</i> | | | |
| * Movie production charges | (i) | 3,485 | 2,115 |
| * Advertising income | (i) | – | 425 |
| * Other services | (i) | 15 | 61 |
| <i>Associates</i> | | | |
| Programmes/channel licensing fees | (ii) | 63,848 | 18,876 |
| Broadcasting and transmission service fees | (ii) | 12,240 | 10,800 |
| Rental income and related charges | (ii) | 7,999 | 7,047 |
| Advertising income | (ii) | 3,701 | 1,035 |
| Others | (ii) | 2,987 | 4,290 |
| <i>Other related parties</i> | | | |
| * Programmes/channel licensing fees | (iii) | 57,941 | 80,701 |
| * Advertising consultancy fees | (iii) | – | 4,414 |
| * Programmes/channel licensing fees # | (iii) | 220,736 | 211,145 |
| * Advertising consultancy fees # | (iii) | 33,807 | 38,308 |
| | | 406,759 | 379,217 |
| Purchases of services: | | | |
| <i>Associates</i> | | | |
| Playback and uplink service fees | (ii) | (31,154) | (31,101) |
| Graphic service fees | (ii) | (3,000) | (1,750) |
| Others | (ii) | (2,294) | (2,230) |
| <i>Other related parties</i> | | | |
| * Programmes licensing fees | (iv) | (28) | (320) |
| * Project management fees | (v) | (4,320) | (4,860) |
| | | (40,796) | (40,261) |

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

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

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The fees were received from/(paid to) Concept Legend Limited, a joint venture of the Company.
- (ii) The fees were received from/(paid to) TVBNV, an associate of the Company.
- (iii) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (iv) The fees were paid to Celestial Television Networks Ltd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (v) The fees were paid to ITC Properties Management Limited, an entity jointly controlled by a person who has significant influence over the Company and a close member of that person's family.
- (vi) The disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules have been properly complied with.

The Company supplies channel contents to TVBNV 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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Salaries and other short-term employee benefits | 41,959 | 32,105 |

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Receivables from associates (note) | 537,177 | 449,960 |
| Receivables from other related parties | 42,691 | 66,124 |
| | 579,868 | 516,084 |
| Payables to associates | – | 135 |
| Payables to other related parties | 6,007 | 9,443 |
| | 6,007 | 9,578 |

Note:

At 31 December 2014, a provision for impairment loss of trade receivables from associates of HK\$421,626,000 (2013: HK\$421,626,000) had been provided (Note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Fund advanced/loan to related parties

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------------------|------------------|------------------|
| Fund advanced to a joint venture | | |
| Beginning of the year | 26,231 | 26,231 |
| Fund advanced | 15,750 | – |
| End of the year | 41,981 | 26,231 |
| Loan to a joint venture | | |
| Beginning of the year | – | – |
| Loan provided | 15,778 | – |
| Interest charged | 816 | – |
| Exchange differences | 102 | – |
| End of the year | 16,696 | – |
| Loan to an associate | | |
| Beginning of the year | 735,419 | 731,993 |
| Interest charged | 3,453 | 3,426 |
| End of the year | 738,872 | 735,419 |

At 31 December 2014, a provision for impairment loss of the loan to an associate of HK\$89,817,000 (2013: HK\$89,817,000) had been made (Note 12).

38 EVENT SUBSEQUENT TO THE YEAR END

The Company announced that on 29 January 2015, TVB Investment Limited and Countless Entertainment (Taiwan) Company Ltd. ("Countless"), both wholly-owned subsidiaries of the Company, entered into the conditional Disposal Agreement with Li Mao Investment Co. Ltd., De En Investment Co. Ltd. and Lien Xin Investment Co. Ltd., pursuant to which TVB Investment Limited and Countless agreed to conditionally sell respectively 47% and 6% of the shareholding in Liann Yee Production Co., Ltd. for a total consideration of NT\$4,695,000,000 (representing approximately HK\$1,149,101,250).

39 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 31 March 2015.

40 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 |
| TVB (China Production) Company Limited | 1 | HK\$1 | 100 | 100 | Owner of film rights and programme licensing |
| TVBI Company Limited | 200,000 | HK\$2,000,000 | 100 | 100 | Programme licensing |
| The Voice Entertainment Group Limited | 1 | HK\$1 | 100 | 100 | Production, licensing and sales of sound recordings |
| The Voice Music Publishing Limited | 1 | HK\$1 | 100 | 100 | Publishing and licensing of musical works |
| Zenith Digital Creation Limited | 1 | HK\$1 | 100 | 100 | Computer graphics/animations production |
| Art Limited | 10,000 | HK\$10,000 | 73.68 | – | Film licensing and distribution |
| The Chinese Channel Limited (note(f)) | 4 | HK\$4 | 100 | – | Provision of services for channel operations |
| TVB (Europe) Limited | 50,000 | HK\$500,000 | 100 | – | Provision of subscription television programmes |
| TVB Facilities Limited | 10,000 | HK\$10,000 | 100 | – | Provision of services for programme productions |
| TVB Publications Limited | 20,000,000 | HK\$20,000,000 | 73.68 | – | Magazine publications |
| TVB Publishing Holding Limited (note (c)) | 90,000,000 | HK\$199,710,000 | 73.68 | – | Investment holding |
| TVB Satellite Broadcasting Limited | 2 | HK\$2 | 100 | – | Provision of programming and channel services |
| TVB Satellite TV (HK) Limited | 2 | HK\$2 | 100 | – | Provision of pay television programmes |
| TVB.COM Limited | 2 | HK\$2 | 100 | – | Internet web portal |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries

| Name | Place of incorporation | Number of shares | Issued and fully paid up share capital/ registered capital note (d) | Attributable interest (%) | | Principal activities |
|--|--------------------------------|------------------|---|---------------------------|----------------|--|
| | | | | to the Group | to the Company | |
| iTVB Holdings Limited (note (b)) | British Virgin Islands | 10,000 | HK\$10,000 | 100 | 100 | Investment holding |
| Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a)) | The People's Republic of China | Not applicable | HK\$500,000 | 100 | 100 | Provision of agency services on design, production and exhibition of advertisements |
| TVB Investment Limited | Bermuda | 20,000 | US\$20,000 | 100 | 100 | Investment holding |
| TVB Satellite TV Holdings Limited (note (b)) | Bermuda | 12,000 | US\$12,000 | 100 | 100 | Investment holding |
| TVBO Production Limited | Bermuda | 12,000 | US\$12,000 | 100 | 100 | Owner of film rights and programme licensing |
| 广东采星坊演艺咨询服务有限公司 (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 |
| Capital Empire Limited (note (b)) | British Virgin Islands | 1,000 | US\$1,000 | 100 | – | Owner of film rights and programme licensing |
| CC Decoders Ltd. (note (f)) | United Kingdom | 2 | GBP2 | 100 | – | Provider of decoder units and relating technical services |

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries (continued)

| Name | Place of incorporation | Number of shares | Issued and fully paid up share capital/ registered capital note (d) | Attributable interest (%) | | Principal activities |
|---|------------------------|---|---|---------------------------|----------------|--|
| | | | | to the Group | to the Company | |
| 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 |
| Extra Profit Holdings Limited (note (b)) | British Virgin Islands | 1 | HK\$1 | 100 | – | Investment holding |
| Fairwork Group Limited (note (b)) | British Virgin Islands | 1,000 | US\$1,000 | 100 | – | Investment holding |
| Fantastic Production Co., Ltd. | Taiwan | 1,000,000 | NT\$10,000,000 | 100 | – | Production of television programmes and programme licensing |
| Interface Communication Co., Ltd. | Taiwan | 21,490,600 | NT\$214,906,000 | 100 | – | Magazine publications |
| iTVB Limited (note (b)) | British Virgin Islands | 10,000 | HK\$10,000 | 100 | – | Investment holding |
| Liann Yee Production Co., Ltd. | Taiwan | 88,000,000 | NT\$880,000,000 | 100 | – | Production of television programmes, channel operation and advertising |
| Peony Holding N.V. (note (b)) | Curaçao | 1 ordinary share 60 non-voting preference shares | US\$100 US\$6,000 | 100 | – | Investment holding |
| The Chinese Channel Limited (note (f)) | United Kingdom | 1,111 | GBP1,111 | 100 | – | Provision of services for programme productions and channel operations |
| The Chinese Channel (France) SAS (note (f)) | France | 600,000 | EUR600,000 | 100 | – | Provision of satellite and subscription television programmes |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries (continued)

| Name | Place of incorporation | Number of shares | Issued and fully paid up share capital/ registered capital note (d) | Attributable interest (%) | | Principal activities |
|---|------------------------|------------------|---|---------------------------|----------------|---|
| | | | | to the Group | to the Company | |
| The Chinese Channel (Holdings) Limited (note (f)) | Cayman Islands | 8,963,972 | GBP89,640 | 100 | – | Investment holding |
| TVB (Australia) Pty. Ltd. | Australia | 5,500,000 | A\$5,500,000 | 100 | – | Provision of satellite and subscription television programmes |
| TVB Holdings (USA) Inc. (note (a)) | USA | 10,000 | US\$6,010,000 | 100 | – | Investment holding and programme licensing and distribution |
| 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 (UK) Limited (note (f)) | United Kingdom | 2 | GBP2 | 100 | – | Investment holding |
| 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 |
| Zennora Group Limited (note (b)) | British Virgin Islands | 1,000 | US\$1,000 | 100 | – | Investment holding |

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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 are no significant contractual arrangement with the non-controlling interests.

- (a) The accounts of these subsidiaries, which do not materially affect the results of the Group, have been audited by firms other than PricewaterhouseCoopers.
- (b) The accounts of these subsidiaries are not audited.
- (c) On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares at HK\$8.60 per share to its non-controlling shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2014.
- (d) Represented ordinary share capital, unless otherwise stated.
- (e) All principal subsidiaries are limited liability companies.
- (f) These subsidiaries are under liquidation processes as explained in Note 33(b).

MAJOR TVB CHANNELS

| Channel | Language | Description |
|--|----------|---|
|  翡翠台 Jade | C | TVB's flagship service and the most popular channel in Hong Kong. With strong production and star power, Jade offers viewers a sumptuous amount of home-grown drama, variety and enrichment content with local taste and flavor |
|  Pearl | E | The leading English-language free-to-air channel bringing viewers high-quality programmes across a range of genres which includes movies, drama, lifestyle and documentary acquired from different corners of the globe |
|  高清翡翠台 HD Jade | C | A 24-hour high-definition (HD) terrestrial channel showcasing true HD quality of TVB production complemented by high-end acquired drama and documentary |
|  J2 | C | A unique digital channel tailor-made for young and kidult audiences with in-house production as well as popular drama, anime and annual events from Asian and international markets |
|  互動新聞台 iNews | C | The only 24-hour news channel offering free service to viewers in Hong Kong. It is also simulcast on tvb.com, myTV and TVB News mobile applications |

| Channel | Language | Description |
|--|----------|---|
|  TVBS TVBS | M | One of the most watched infotainment channels in Taiwan covering interactive discussion and in-depth analysis on social, political and economic issues |
|  TVBS NEWS TVBS-News | M | The first 24-hour all-news channel in Taiwan presenting viewers the most instant and important news coverage around the world |
|  TVBS 歡樂台 TVBS-G | M | One of the most popular entertainment channels in Taiwan presenting dramas, music, fashion, sports and other rich and diverse programming |
|  TVB8 TVB8 | M | 24-hour Mandarin channel tailor-made for all Chinese viewers around the world, offering a diverse line-up of infotainment programmes as well as in-house-produced programmes plus variety shows |
|  TVB 星河 TVB Xing He | C/M | The world's first 24-hour Chinese drama channel offering a wide array of classic TVB dramas from thrilling actions series, heart-touching romances to delightful comedies |
|  翡翠台 TVB Jade | C | Featuring family-oriented entertainment programmes tailored to the viewing preferences and schedules for Chinese viewers in USA |
|  tvbj TVBJ | C | The unique Cantonese-speaking channel in Singapore and Indonesia, featuring dramas and sitcoms, music specials, game shows, live broadcast of grand specials and star-studded spectacles |

Remarks: C = Cantonese M = Mandarin E = English

| Channel | Language | Description |
|---|----------|--|
|  TVB Window | C | TVB Window features popular Asian varieties from China, Korea and Japan. Such a collection of good entertaining programs include reality shows, talent shows, music concerts and awards ceremonies. TVB Window also showcases TVB and foreign drama series, children cartoons and youth animations, food, travel, and more |
|  TVB Classic Movies* | C | TVB Classic Movies is a 24-hour channel that is home to the all-time classic features from Hong Kong. It showcases a wide array of genres including Cantonese operas, arts and ethics, fantasy and martial arts, suspense and mystery, etc, featuring the most reputable and legendary artistes in the field. Powered by a library of Hong Kong's movie legacy of 50-70's, TVB Classic Movies provides an unmatched entertainment experience by leading audience down the memory lane of the old Hong Kong |
|  TVB Food | C | Unique channel on food tailor-made for HK audience with celebrity chefs and culinary experts introducing the most peculiar delicacies of the world |
|  TVB Entertainment News | C | Delivering the latest showbiz buzz from around the world, as well as exclusive interviews with the hottest local and international celebrities |
|  TVBN | C | 24-hour news channel reporting up-to-the-minute breaking news both locally and internationally as well as financial, sports and weather information |
|  TVBN2 | C | 24-hour news channel airing live and full coverage of selected local and international events ranging from Government press conferences to meetings and speeches of Legislative and District Council |
|  TVB Japanese Drama* | C | TVB Japanese Drama is home to new and popular Japanese dramas. Established as a trendsetter, TVB Japanese Drama delivers drama series airing close to Japan telecasts, be it a romantic comedy, suspense thriller, crime investigation or melodrama |
|  TVB Korean Drama* | C | TVB Korean Drama is the ultimate destination for TV fans who crave for new and sought-after Korean dramas featuring top celebrities and idols of the region. TVB Korean Drama offers a diversified selection of drama genres, from popular trendy mini-series to historical epic productions as well as the much-loved daily soap operas. |
|  TVB Chinese Drama* | C/M | TVB Chinese Drama assembles flagship drama titles from China and Taiwan. By offering titles of premier cast and finest productions, TVB Chinese Drama is devoted to establishing itself as a diversified and abundant Mandarin drama channel |
|  TVB Classic | C | Drama channel presenting a collection of the most memorable and admired TVB dramas from TVB's well-established library |
|  TVB Drama Select* | C | TVB Drama Select presents a collection of all-time favorite Asian drama titles from China, Taiwan and Korea. A wide spectrum of thematic/seasonal drama packages, as well as star-focus special lineup are arranged to air 7 episodes per week, offering a superb viewing pleasure |
|  TVB Encore | C | Offering same-day catch-up service of TVB Jade's primetime programmes, including two flagship drama series, sit-com and infotainment programmes |
|  TVB Sports | C | General sports channel featuring a wide range of local and international sports events including the 2014 FIFA World Cup |

* The channels will be launched on 4 April 2015



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電視廣播有限公司

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