

TVB 2015

Annual Report



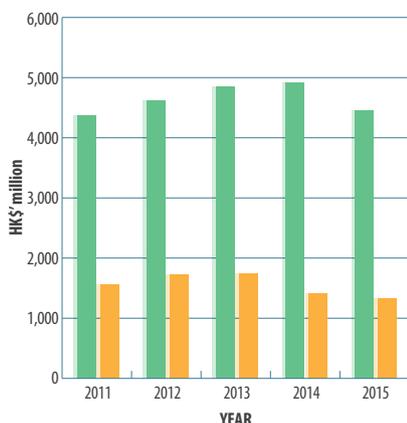
Television Broadcasts Limited
電視廣播有限公司

Stock Code : 00511

FINANCIAL HIGHLIGHTS

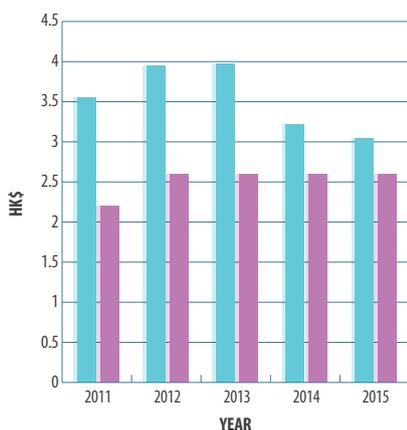
Revenue & Profit Attributable to Equity Holders of the Company

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



Earnings & Dividends# Per Share

■ Earnings per Share
■ Dividends# per Share

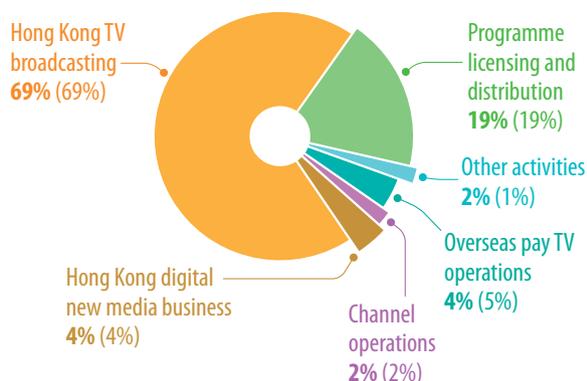


excluding special dividend

	2015	2014 (Restated)	Change
Performance			
Earnings per share	HK\$3.04	HK\$3.22	-5.6%
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	
Revenue			
- Hong Kong TV broadcasting	3,105	3,420	-9%
- Hong Kong digital new media business	170	196	-13%
- Programme licensing and distribution	951	1,085	-12%
- Overseas pay TV operations	186	243	-24%
- Channel operations	105	125	-16%
- Other activities	129	75	72%
- Inter-segment elimination	(191)	(232)	-18%
	4,455	4,912	-9%
Total expenses*	3,439	3,335	3%
Profit attributable to equity holders	1,331	1,410	-6%
	31 December 2015	31 December 2014	
	HK\$'mil	HK\$'mil	
Total assets	9,113	10,557	-14%
Total liabilities	1,277	1,853	-31%
Total equity	7,836	8,704	-10%
Number of issued shares	438,000,000	438,000,000	-
Ratios			
Current ratio	8.8	5.0	
Gearing	3.0%	4.5%	
* excluding non-recurring expenses			

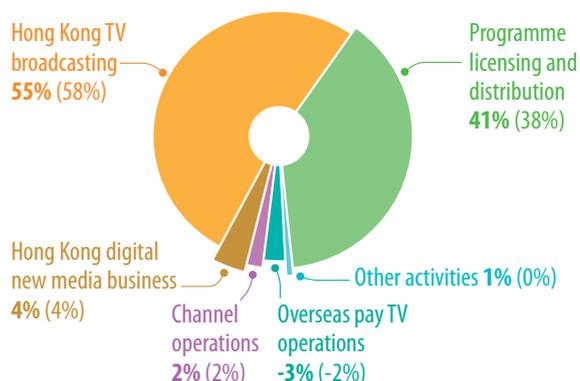
2015 Revenue by Operating Segment

% relating to 2014 are shown in brackets



2015 Reportable Segment Profit* by Operating Segment

% relating to 2014 are shown in brackets



* before non-recurring expenses

CONTENTS

2 CORPORATE INFORMATION

4 CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

- 7 Hong Kong TV Broadcasting
- 22 Hong Kong Digital New Media Business
- 25 Other Hong Kong Operations
- 29 Programme Licensing and Distribution
- 30 Overseas Pay TV Operations

32 CORPORATE SOCIAL RESPONSIBILITY

36 FINANCIAL REVIEW

CORPORATE GOVERNANCE

- 46 Directors and Senior Management
- 52 Report of the Directors
- 63 Corporate Governance Report

FINANCIAL INFORMATION

- 84 Five-Year Financial Review
- 85 Independent Auditor's Report
- 86 Audited Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dr. Charles CHAN Kwok Keung

EXECUTIVE DIRECTORS

Mark LEE Po On Group Chief Executive Officer

CHEONG Shin Keong General Manager

NON-EXECUTIVE DIRECTORS

Mona FONG

Jonathan Milton NELSON

Anthony LEE Hsien Pin

CHEN Wen Chi

Thomas HUI To

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Raymond OR Ching Fai SBS, JP

Dr. William LO Wing Yan JP

Professor Caroline WANG Chia-Ling

Dr. Allan ZEMAN GBM, GBS, JP

ALTERNATE DIRECTORS

Harvey CHANG Hsiao Wei

Alternate Director to Chen Wen Chi

Jessica Huang POULEUR

Alternate Director to Jonathan Milton Nelson

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Dr. Charles CHAN Kwok Keung Chairman

Mark LEE Po On

CHEONG Shin Keong

CHEN Wen Chi

Thomas HUI To

AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman

Anthony LEE Hsien Pin

Dr. Raymond OR Ching Fai

REMUNERATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman

Dr. Charles CHAN Kwok Keung

Dr. William LO Wing Yan

NOMINATION COMMITTEE

Dr. Raymond OR Ching Fai Chairman

Anthony LEE Hsien Pin

Dr. William LO Wing Yan

RISK COMMITTEE

Dr. Raymond OR Ching Fai Chairman

Mark LEE Po On

CHEONG Shin Keong

Dr. William LO Wing Yan

Professor Caroline WANG Chia-Ling

SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer

CHEONG Shin Keong General Manager

Peter AU Wai Lam Assistant General Manager

Desmond CHAN Shu Hung Assistant General Manager

Felix TO Chi Hak 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

LEGAL ADVISER

Stephenson Harwood

18/F, United Centre

95 Queensway, Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
Bank of Communications Co., Ltd.
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

STOCK CODES

Ordinary Shares

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

AMERICAN DEPOSITARY RECEIPTS

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

INVESTOR RELATIONS

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

WEBSITE

www.corporate.tvb.com

CORPORATE CALENDAR

FIRST BOOK CLOSE PERIOD

4 May 2016 to 25 May 2016,
both days inclusive

ANNUAL GENERAL MEETING

25 May 2016

EX-DIVIDEND DATE OF 2015 FINAL DIVIDEND

27 May 2016

SECOND BOOK CLOSE PERIOD

31 May 2016 to 1 Jun 2016,
both days inclusive

PAYMENT OF 2015 FINAL DIVIDEND*

10 June 2016*

* Subject to Shareholders' approval at 2016 annual general meeting of the Company

CHAIRMAN'S STATEMENT

I wish to present my report to you as Chairman of Television Broadcasts Limited ("TVB", "Group" or "Company") for the year ended 31 December 2015.

I reported in my report last August that the first half of the year was challenging for operators in the Hong Kong media industry and for our distribution business globally. These challenges continue in our operating environment and remain areas of attention for us. During 2015, we made a number of important steps to re-position ourselves for the future, namely the development of our over-the-top ("OTT") platform for an early 2016 launch, and the divestment of our operating business in Taiwan. We are also working closely with our strategic shareholder, China Media Capital ("CMC"), to further excel TVB's brand and expertise in our markets. We believe, despite some near term pressure, our new focus helps build shareholders' value in the long term.

PERFORMANCE AND DIVIDENDS

Overall, the Group reported a profit attributable to equity holders of HK\$1,331 million for 2015, which represented a decrease of 6% over last year, and an earnings per share of HK\$3.04 (2014: HK\$3.22). As previously reported, the Group booked a gain of HK\$1,396 million on disposal of our Taiwan Operations, but at the same time, recognised a number of non-recurring losses, including an impairment loss of HK\$695 million against our interest in the Hong Kong pay TV associate, TVB Network Vision; an impairment loss on property of HK\$88 million as a result of a Board's decision to abort the construction of new production studios and related facilities in Hong Kong; and exchange losses on Renminbi fixed term deposits of HK\$42 million. Our operating profit after excluding the exchange losses on Renminbi fixed term deposits and the impairment loss on property decreased 36% over last year, from HK\$1,569 million to HK\$1,006 million. This result was mainly due to the weaker performance of our Hong Kong advertising business, coupled with adverse performances from overseas.



DR. CHARLES CHAN KWOK KEUNG
Chairman

Value creation for shareholder remains a priority of the Board, and we are committed to maintaining a steady dividend even amidst tough times. This year, the Board has recommended a final dividend of HK\$2.00 per share. Together with HK\$0.60 per share of interim dividend paid, the total dividend for this year of HK\$2.60 per share (2014: HK\$2.60 per share). This matter will be put forward for shareholders' approval at the coming annual general meeting. We hope that this dividend policy clearly demonstrates our long-term confidence in the business.

BUSINESS REVIEW AND OUTLOOK

As further discussed in this report, the traditional media is facing intensifying competition from online and digital alternatives worldwide. Piracy is still serious, the Company will continue to carry out sustained anti-piracy efforts to protect our business interests. In 2015, our Hong Kong TV broadcasting and advertising business under-performed last year by 42%, from a segment profit (before impairment losses and exchange losses) of HK\$947 million to HK\$551 million as a result of a sluggish advertising market. During the year, the perceived risk of a global economic slowdown had prompted advertisers to act cautiously.

Through our channels, TVB is engaging with over 3 million viewing audience daily in Hong Kong during prime time. Television broadcasting continues to be our core business, despite a changing operating landscape. We have, over the years, expanded into digital new media business to deliver our programmes and channels. I am pleased to announce the official launch of our new OTT service in Hong Kong, named myTV SUPER, in April which will offer a brand new TV viewing experience, leveraging on the high speed Internet connectivity. We are confident that this new service would become a distinctive and attractive one-stop solution for entertainment needs.

On movie investments which we have earmarked as a key business focus, TVB is partnering with CMC and Warner Bros. Entertainment through a joint venture named Flagship Entertainment Group to develop a slate of Chinese-language films. We believe this joint venture will further escalate our movie production business to a truly international level.

Through the two announced transactions, we had sold our operating business in Taiwan TVBS. Although the contributions from Taiwan had served us well in the past, the Company's focus in future will lie in strengthening our presence in Hong Kong, the PRC and other potential markets. This is in line with the Group's long term goal to focus on developing its core businesses in Hong Kong, and to capture the vast growth opportunities in the PRC and the digital new media space.

Looking ahead, 2016 remains challenging, due to the weaker macroeconomic conditions resulting in a weak advertising market in Hong Kong. But, we are hopeful that this down trend shall gradually improve in 2017. Production of quality programme content will continue to be the cornerstone of our business. In this summer, TVB will be the exclusive broadcaster of the Rio 2016 Olympic Games. We shall be using all of our platforms, terrestrial and OTT, to bring this important and world-focused event to our viewers in Hong Kong. I am pleased to announce the official launch of myTV SUPER service in April. As with any new business, there will be some start-up costs, but we are optimistic that this OTT service will yield positive contributions in the near future.

Last but not least, I would like to take this opportunity to extend my heartfelt gratitude to our shareholders, business partners and audience around the world for their continued support. As Chairman, I would also like to convey my thanks to all Board members, the management team and our dedicated staff and artistes, for their unfailing support.

Charles Chan Kwok Keung

Chairman

Hong Kong, 23 March 2016

BUSINESS AT A GLANCE

BUSINESS	BUSINESS MODEL	PRODUCTS/BRAND	MARKET	GROUP'S INTERESTS
TV Broadcasting	Free-to-air TV broadcasting through terrestrial TV network and programme production in Hong Kong generating advertising revenue	Digital channels (Jade, J2, Pearl, iNews and J5) and analog channels (Jade and Pearl)	<ul style="list-style-type: none"> • Hong Kong • Macau 	100%
Digital New Media	Monetisation of content through online and mobile devices	myTV SUPER, www.tvb.com and a range of mobile apps (myTV, TVB fun, GOTV, TVB News, TVB Finance, TVB Zone, E news and myEPG)	<ul style="list-style-type: none"> • Hong Kong • Macau 	100%
Pay TV	Subscription pay TV service	TVB Network Vision – service offering includes 13 thematic pay-TV channels	Hong Kong	<ul style="list-style-type: none"> • Economic interest: 90% • Voting interest: 15%
Other Activities	Investment in complementary business segments	Publishes a weekly magazine TVB Weekly; music entertainment; and property investment	<ul style="list-style-type: none"> • Hong Kong • Mainland China • Taiwan 	<ul style="list-style-type: none"> • Publication: 73.68% • Music entertainment: 100% • Property investment: 100%
Movie	Movie investment and movie production	Flagship Entertainment Group Shaw Brothers Pictures	Global	<ul style="list-style-type: none"> • Flagship Entertainment Group: 5% (effective) • Shaw Brothers Pictures: 100%
Programme Licensing and Distribution	Licensing and distribution of TVB produced channels and programmes for traditional and online distribution	TVB programmes and channels (in Cantonese or dubbed soundtracks)	Key markets <ul style="list-style-type: none"> • Malaysia • Singapore • Mainland China Other territories <ul style="list-style-type: none"> • Canada • Vietnam 	<ul style="list-style-type: none"> • Licensing and distribution: 100% • Mainland China: 55%
Overseas Pay TV Operations	Subscription pay TV service	<ul style="list-style-type: none"> • TVB channels bundled with DISH Network offerings in North America (USA) • Satellite TV service in Australia • OTT TV service “TVB Anywhere” (Australia and Europe) 	<ul style="list-style-type: none"> • North America (USA) • Australia • Europe 	100%
Channel Operations	Production and operation of two satellite TV channels	TVB8 and Xing He channels	Key markets <ul style="list-style-type: none"> • Mainland China • Malaysia • Singapore 	100%
Taiwan Operations (Discontinued as from March 2016)	A key pay-TV operator of channel broadcasting in Taiwan	Operates three pay channels (TVBS, TVBS News and TVBS Entertainment) in Taiwan and produces content	• Taiwan	<ul style="list-style-type: none"> • 100% up to May 2015 • 47% up to March 2016 • 0% after March 2016

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 (renamed as J5), iNews (Cantonese) and Pearl (English), and 13 pay TV channels. 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

The broadcasting business in Hong Kong continues to be our core business, accounting for approximately 69% of the Group's revenue.

TV ADVERTISING

Hong Kong's overall advertising market was seriously affected by dwindling retail sales. In 2015, aggregate sales of retail outlets reported a 3.7% decline from 2014. High-value luxury goods, including jewellery, watches, clocks and valuable gifts, a sector which is an important contributor to the advertising market experienced a significant year-on-year decline in sales of 15.6%. Other important revenue-generating categories, such as medicines and cosmetics, electrical goods and photographic equipment also faced a downturn in sales. Slower growth in Mainland China, a stronger US dollar, the stock market fluctuations and slackening Mainland tourist arrivals contributed to a weakening local consumer sentiment.

TVB's advertising revenue from its terrestrial channels dropped 9% year-on-year, as a result of sluggish retail sales and the absence of non-recurring revenue from the 2014 FIFA World Cup Brasil™ ("2014 World Cup"). Two key growth engines in the past – baby milk powder and skincare – recorded a significant drop in spending in 2015. While the baby milk powder category remained the top revenue generator in the year, the actual spending was down by 13%. Skincare ad-spending witnessed a 38% plunge. Supermarkets, one of our top performing categories, also dropped by 31% amid poor retail environment. The increased risk of a global economic slowdown has prompted major advertisers to act more cautiously with their submissions of advertising slot bidding and annual spending commitments, which in turn adversely impacted our sales.

There are, however, a few bright spots including the online travel agents category, mobile apps and online property agents, which spent at least two to three times more than last year. Shampoo and shower gel manufacturers also increased their spending by 25% and 43%, respectively.

In addition, we were able to position our digital terrestrial TV channels, J2, iNews and HD Jade (rebranded to J5 in February 2016), as effective TV spending vehicles for smaller budgets, helping us to draw new dollars from the TV advertising pie to our company's platforms, and resulting in increased share.

TERRESTRIAL TV CHANNELS

TVB continued to maintain leadership in the free TV market with an overall average 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 of 82% (2014: 81%).

The five terrestrial TV channels provide round-the-clock programmes, including entertainment, news and information to viewers in Hong Kong. Jade has been positioned to target the mass audience and continues to serve as the station's flagship with its recent upgrade to super HD picture resolution. J2, with its upbeat

image, targets the adultescent group. iNews continues to position itself as the only 24-hour free-to-air news channel in Hong Kong. Pearl, our English channel, is uniquely positioned to carry major blockbuster movies, dramas and documentaries, as well as news and news related information. In February 2016, we revamped HD Jade into J5, with a new channel position to target a new audience group seeking up-to-date information on the markets, with particular focus on the financial and the property markets, which is an important audience segment. As a result, the simulcast arrangement of prime time drama between Jade and HD Jade has ceased. These distinctive channel strategies help us to market our airtime to advertisers.

2015 marked a critical year for TVB, as we witnessed an increasing trend in media fragmentation. OTT service provider (LeEco) and online operator (Netflix) have commenced services in Hong Kong, offering more programme choices for viewers, along with the many portals and apps carrying video and news content. Radio Television Hong Kong's (RTHK) channels have begun service on the free-to-air spectrum, delivering documentaries and entertainment programmes to viewers.

During 2016, the media landscape in Hong Kong will see the entrance of PCCW (using ViuTV as the name of its platform) as a new service operator. Looking further on the list of possible free TV operators, i-Cable (as Fantastic TV) has been given approval-in-principle by the Government, but has, to date, not been formally granted a licence to operate. With these many upcoming changes, TVB is making no less efforts to upgrade its programme offerings, adopting the latest broadcasting technology, for continuous service enhancement.

Linear TV viewing has, to date, been the key mode of TV consumption in Hong Kong. This mode of TV viewing is going through a major revolution, as we have announced on 1 March 2016, the launch of a brand new Internet-connected TV or OTT service for Hong Kong. This service, named myTV SUPER, will be officially launched on 18 April 2016. myTV SUPER box and app offer a bundle of 31 linear channels, including playback of contents broadcast within three hours. The VOD service provides vast volume of over 11,000 hours and extensive choices of programmes ranging from premieres to classic titles, featuring TVB self-produced shows, Asian dramas and variety shows, American dramas, the latest cartoons and animations, and other popular, high quality contents. This service is our latest response to address the changing viewing habits of viewers. With two major ISPs, namely Hutchison Telecommunications and Hong Kong Broadband, supporting this service upon launch, TVB aims to provide a radical change in TV viewing experience leveraging the strong broadband connectivity. This service may over time change the way we consume TV programmes at home.

2016 will be remembered as the year of the Rio 2016 Olympic Games, which will no doubt be the most watched sports event around the world. We shall progressively, during 2016, introduce a series of world-class sports events, commencing with FINA Diving World Cup to our audience. More sports related lead-in programmes will be broadcast, as we begin to pave our way to an exciting summer of 2016.



Lord Of Shanghai

Ghost Of Relativity



Come Home Love

REVIEW OF OPERATIONS



JADE CHANNEL

Drama

A seven-day second line drama schedule on Jade was successfully implemented with the aim to maximise viewers' attention and rating potentials of our top quality drama series.

This new schedule splendidly kicked-off with the popular acquired drama serial *The Empress of China*. *Ghost Of Relativity*, a popular supernatural themed romantic comedy which was headlined by the fun duo Kristal Tin Yui Lee and Nancy Wu Ting Yan delivering a ghost story of two office ladies and their encounters in a "Frenemy" relationship, won the highest honour among the prime time drama. With immense success in popularity and marvelous acclaims on the social media for its laugh-out-loud moments, this popular serial became the top-rated drama title, achieving an average consolidated rating⁴ of 29.2 TVRs (TV rating⁵ of 26.6 TVRs, online live rating⁶ of 0.2 TVR and online catch-up rating⁷ of 2.4 TVRs). The two female leads Tin and Wu with their extraordinary and supernatural acting skills were applauded which consequently brought them the titles of TVB's Most Popular Female Character and the Best Actress of the year.

Another remarkable serial of the year was anniversary drama *Lord Of Shanghai*, which was headlined by three heavy-weighted actors, Anthony Wong Chau Sang, Kent Tong Chun Yip and Wayne Lai Yiu Cheung, featuring an epic story inspired by the three renown tycoons of Shanghai set in the late 1920s. Greatly applauded for the persuasive acting and the dazzling outport sceneries filmed in Shanghai, the serial successfully claimed the title of TVB Best Drama and further brought Wong the title of TVB Best Actor of the year.

Drama continues to play an important platform for nurturing new talents for TVB. In legal-themed drama *Raising The Bar*, the performance of young talents – Grace Chan Hoi Lam, Jeannie Chan, Stephanie Ho and Moon Lau Pui Yuet, were well received by our audience. While in a pre-modern serial, *Momentary Lapse Of Reason*, the acting talents of Louis Cheung Kai Chung and Rosina Lam Ha Mei impressed many audience.

22

TVRs

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

Regular sitcom fans will no doubt recall members of the Ma family in *Come Home Love*. This sitcom has been running since 2012, draws a regular viewership at the 20:00 slot of an average consolidated rating of 23.1 TVRs in 2015 (TV rating of 22.1 TVRs, online live rating of 0.1 TVR and online catch-up rating of 0.9 TVR). The success of this drama lies in the curation of everyday stories of the Ma family and their friends. Not only *Come Home Love* is well received in Hong Kong, the sitcom is well-received in Malaysia and Singapore.

Anniversary drama *Captain Of Destiny*, a time-travelled story which featured extensive computer graphics created by our in-house team represented a daring attempt. The serial successfully earned good reputations and rocked the stages at the StarHub TVB Awards 2015 and the 2015 TVB Star Awards Malaysia. Not only was the popular serial honoured as My Favourite TVB Drama at both awards, it also gave the leading cast Ruco Chan Chin Pang to the title of My Favourite TVB Actor. Back in Hong Kong, Chan was also awarded TVB's Most Popular Male Character of the year for his leading role.

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, J2, iNews, Pearl and HD Jade (recently renamed as J5).

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

⁴ Consolidated rating is defined as the summation of TV rating, online live rating and online catch-up rating.

⁵ TV rating ("TVR") represents the size of the audience expressed as a percentage of the total TV population. For 2015, the total TV population comprises 6,466,000 viewers, and therefore, 1 TVR represents 64,660 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.

⁶ Online live rating is defined as an aggregate live rating generated from live channel broadcasts via 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 live rating also represents 64,660 viewers, same as TV 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 64,660 viewers, same as TV rating.

REVIEW OF OPERATIONS

Non-drama

Much efforts were devoted to enrich TVB's variety programmes. While food and health topics have remained a key theme on Jade, we endeavoured to produce infotainment programmes in fresh formats, notably a number of travelogues adventuring into some of the world's least-visited destinations, and new interactive game shows with the aim to strengthen our audiences' engagement.

In *Not Far But Away*, iconic travelogue host Tony Hung Wing Sing explored the Democratic People's Republic of Korea unveiling the little-known daily livelihood of her residents and attractions. This programme attracted some controversy but achieved an average consolidated rating of 26.0 TVRs (TV rating of 24.2 TVRs, online live rating of 0.2 TVR and online catch-up rating of 1.6 TVRs), making it the top-rated late evening thematic programme of the year.

Another travelogue aired at the same evening timeslot was *Big Big World II*, which unlike most other travelogues was produced by our News Department as a new attempt to showcase the world from the eyes of reporters. Characterised by the lively narration from the experienced news reporter, Anthony Fong Tung Shing, this programme brought audience to some of the world's least-visited corners, covering the Falkland Islands, Guyane, Liechtenstein, the Cayman Islands and Venezuela.

Jade also offered travelogues featuring some of the most popular travel destinations across the globe. *DoDo Goes Shopping* which was presented by veteran TV host Carol Cheng Yue Ling and her guests visiting Paris, London, Tasmania and Melbourne. This programme was awarded the TVB Best Variety Show of the year. The programme which was characterised by the fun-filled interactions between the host Ms. Cheng and her travel companions, generated active discussions on social media platforms. Another well-liked travelogue sequel *Four Amigos Bon Voyage* returned, with a fun-filled trip to the scenic beauty of Russia.

We endeavoured to expand our programmes genres beyond the traditional to the younger and new media centric audience. In an attempt to capture this new group, we launched *The Internet Of Things On TV* in late weekday evenings as the first reality show serial featuring trendy YouTubers and showcasing their creative productions on Jade. This programme allowed us to test the audience market with a new genre and gladly generated constructive feedback for programme development.

Health-themed programmes continue to attract and educate many audiences of all ages. The series, *Am I Healthy?*, *Hungry for Health* and *Health Is A Lifestyle* which provided informative and practical tips on a

health-related diet and fitness exercises, scored very satisfactory viewership.

Food related programmes starring top celebrities as cooking programme have always remained one of our audiences' favourites. Some notable mentions included *Good Cheap Eats (Sr. 3)* with the iconic host pair Maria Cordero and Luk Ho Ming and the weekend prime time programme *Eating Well With Madam Wong (Sr. 2)* led by renowned chef Gigi Wong Shuk Yi gained increasing popularity.

On Sunday nights, award-winning music show *Sunday Songbird*, brought many fond and memorable performances. Led by host singers Liza Wang Ming Chuen and Adam Cheng Shiu Chau, and joined by numerous guest singers from all ages, the programme impressed and entertained viewers with the decades' top oldies. This music programme continuously ran for a total of 35 episodes in the latest series, and exceeded the station's expectation by sustaining a high TV ratings throughout. *Sunday Songbird* was successfully spinned-off as *J2 Songbirds*, an extended production onto J2 to target the younger music fans.

A local adaptation of an American-inspired late night talk show, *Sze U Tonight* continued during Sunday nights keeping audiences stay tuned with Jade. With the appearances of some of the city's hottest celebrities as Sze's guests, the programme fruitfully earned a place for a distinguished talk show on Jade.

In addition to having live audience at our studios, the production team believes that interaction with home audience is an important part of today's TV entertainment and engagement. Using Jade and our mobile app TVB fun on handsets, the live quiz show *The Million Dollar Minute*, hosted by many top artistes and celebrities, was a marked success which attracted more than 440,000 home viewers participating during the show.

We continued to use this app TVB fun to engage the public and to solicit votes during many annual star stud programmes on Jade which included *Miss Hong Kong Pageant 2015*, *TV Awards Presentation 2015* and *J.S.G. Awards Presentation 2015*.



Four Amigos Bon Voyage



Miss Hong Kong Pageant 2015



Good Cheap Eats (III)

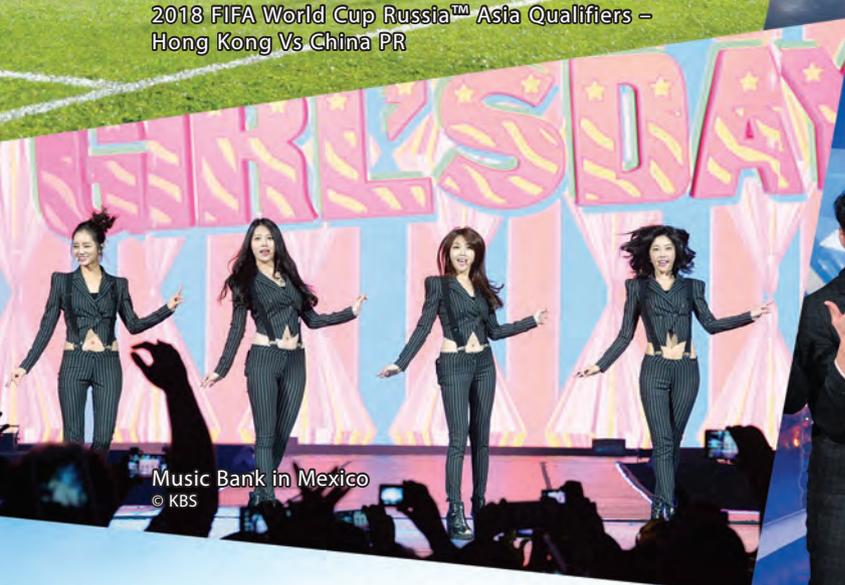
Not Far But Away



2018 FIFA World Cup Russia™ Asia Qualifiers – Hong Kong Vs China PR



Awesome! Travel Backpackers (XIII)



Music Bank in Mexico
© KBS



J2 Songbirds



Fun Abroad



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

REVIEW OF OPERATIONS



J2 CHANNEL

J2 continued to devote efforts in establishing the channel's image as trendy and innovative by offering a diversified programme mix to adultescent.

Like other TVB channels, local productions remained the core focus of the channel's offering. This year, J2 strategically rearranged its schedule to air self-produced programmes from 21:30 to 23:00 on weekdays to rejuvenate the late nights with our high quality in-house productions with up-to-date themes and good mix of young talents.

J2's signature programmes continued to roar with promising ratings contribution to the channel. Long-running talk show, *Big Boys Club* celebrated its remarkable 1,500th episode during the year. *All Things Girl* continued to bring updates on latest fashion, celebrity hairstyles and beauty tips to our fans, while *Own Sweet Home* was enriched by launching a series focusing on special interior designs of some Japanese homes and newly launched household supplies in Japan.

Mouth-watering food programmes continued to serve our J2 audience well. *Play With Your Food*, which invited guests to the super-size meal challenge and amused audience with the joy of eating, drew serious attention among audience. *Pop-up Kitchen*, which featured pop-up food making challenge and "Flesh" culture promptly attracted the audience interest since its debut in late November 2015. A station-produced

travelogue *Fun Abroad* which is aired on Saturday nights has remained audience's all-time favourite.

To strengthen the channel's music offerings, we strategically tailor-made the station's signature music programme, *Jade Solid Gold* into a hardback version on Jade and a full one-hour version on J2. Closely following the hit *Sunday Songbird* on Jade, J2 launched a fresh replication of *J2 Songbirds* to develop young singers and promote their music to our audience. J2 continued to carry on the role of introducing the hottest international music events to local audience, which included *2015 Mnet Asian Music Awards*, *Music Bank in Mexico* and *MTV EMA 2015*.

J2 also carries popular sport events as part of its offerings. One of the key attractions during the year was the *2018 FIFA World Cup Russia™ Asia Qualifiers* which attracted the highest viewership on the channel's history.

From August 2015, TVB and the Hong Kong Jockey Club started to cooperate in broadcasting live coverage on J2 of the Mark Six draws and the horse race meetings from the next season.

2.0 TVRs

J2
prime time
(7% of Total TV)



Big Boys Club

REVIEW OF OPERATIONS



i-News CHANNEL and NEWS PROGRAMMES

To further strengthen our leading position in news service in Hong Kong, TVB News continued to devote enormous efforts in offering the most recent, relevant and accurate news information to our audience.

Our coverage of breaking news locally or internationally included major events such as the live coverage of *the state visits of President Xi Jinping's to the United States and the United Kingdom, the Bangkok bombing, the Formosa Fun Coast explosion and the Victory Day Celebration Military Parade*. For the latter, a series of news report which told stories of people and events during the war of resistance was scheduled to commemorate the event.

Great efforts were made in provision of a more in-depth yet lifestyle-compatible news coverage. *News Roundup* on weekday nights was extended to a one-hour news telecast on Jade and HD Jade (renamed as J5) since January 2015. Various culturally enriched new segments were added to strengthen the coverage of the one-hour newscast.

New segments provided knowledge not only on current affairs but also international issues. *Closer Look* reviewed the breaking news of the day, while *International News Files* showcased world's historical news clips. Newly added segment *Global View* also helped inspire people to think out of the box.

Interesting and diversified new in-house produced segments, included *Saturday Fun* which presented inspirational and motivating stories of people from different industries, and *HK Historical Sites* which took audience to explore different areas around Hong Kong, with their history behind some famous streets and monuments.

1.3 TVRs

iNews prime time (4% of Total TV)



24 iNews Channel Studio



Big Big World II

TVB NEWS TVB NEWS TVB NEWS TVB NEWS TVB NEWS



TVB News Studio



Sunday Good Morning Hong Kong



Global View

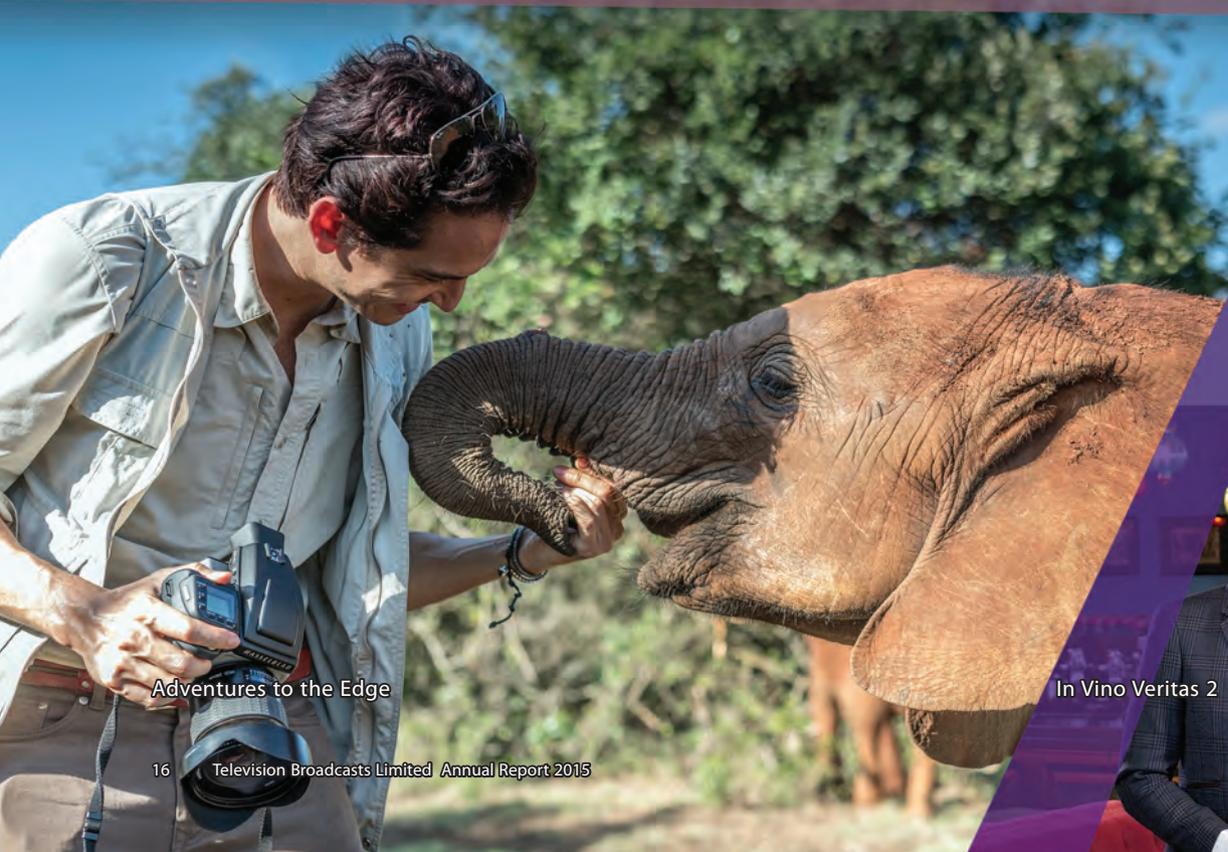


J5 Channel News Studio

DOLCE VITA



Dolce Vita



Adventures to the Edge



In Vino Veritas 2

REVIEW OF OPERATIONS



PEARL CHANNEL

Pearl, our English channel, revamped its prime time schedule with four distinctive blocks offering top quality content to cater to the interests of our targeted premium audience. Not only our infotainment slots on weekdays were strengthened by more local productions, special efforts were given in rebranding the Saturday nights blockbuster movies to boost viewership.

New formats and genres were produced to broaden and diversify the programme varieties. Sean Lee-Davies, our channel's signature icon, was commissioned to produce and host a topical environmental and ecological series *Adventures to the Edge*. Aimed at raising awareness about issues of global environmental crises, the programme dramatically captured some rare scenes of endangering species, like the northern white rhinos and the whale sharks, in the wilderness for the viewers.

The landmark hit show, *Tycoon Talk*, was commissioned for a second season in 2015 under *Tycoon Talk & The Next Generation* which ran for a total of eight episodes. Sean Lee-Davies again took the role as programme host to interview a new generation of successful local business leaders, sharing their dynamic stories and their entrepreneurial spirits.

Co-hosted by Master of Wine, Jeannie Cho Lee and model Anthony Sandstrom *In Vino Veritas 2* returned for a second season. In addition to unrevealing the world of wine-making, the programme took viewers to the scenic beauty of New Zealand, and introduced for the first time a wine-tasting competition among the local sommeliers on Hong Kong TV.

Long standing self-produced lifestyle programme *Dolce Vita* continued into its 10th year showcasing viewers with upmarket lifestyle and fashion trends. The programme also keeps on bringing in new faces to audience over the past years.

Renowned journalist Michael Chugani hosted a new talk show *Straight Talk* in a cutting edge, in-depth and informative presentational style, bringing up-to-date affairs issues.

Pearl fans in large numbers were entertained by a number of blockbuster movies.

Harry Potter and the Deathly Hallows™ Part 2 was the top rated movie of the year. Marvel's movies like *Marvel's The Avengers* and *Iron Man 3* continued to please the crowd.

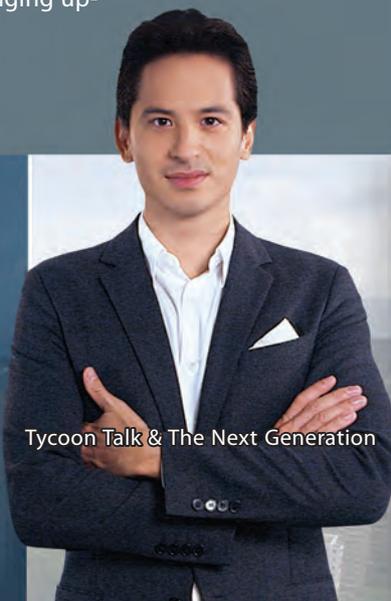
1.3 TVRs

Pearl prime time (4% of Total TV)

Many top-class documentaries successfully attracted the eyeballs of our premium audience. While health-related themes remained our major focus under the well-being brand, environmental issues were presented under *Loving Earth* to address some growing concerns of our viewers. *The School That Turned Chinese*, which talked about an experiment to introduce the Chinese educational system to Britain, and *The Most Dangerous Ways to School*, which documented how children in some remote areas tackled their extreme journeys to schools were amongst some of the critically acclaimed titles telecast.

Drama fans enjoyed a rich collection of western drama on Pearl. Hot TV series such as *The Flash*, made its premiere on Pearl shortly after telecast in the origin country. The midnight drama series at midnight during weekdays offered additional choices to our viewers, and the series successfully reached out to an expanded audience group.

Our team worked diligently to broadcast a number of world-class local sports events. Besides the *Hong Kong Masters 2015* in February and the *Hong Kong Squash Open 2015* in December, Pearl was awarded as the official broadcaster of the *Hong Kong Tennis Open 2015* in October. Extensive live coverage and highlights of this prestigious international tennis tournament featuring some of the world's top female tennis players entertained and delighted our viewers.



Tycoon Talk & The Next Generation



Hong Kong Masters 2015

TYCOON TALK
&
THE NEXT GENERATION

REVIEW OF OPERATIONS



HD JADE CHANNEL
(renamed as J5 on 22 February 2016)

During the year, HD Jade further enhanced its prime time schedule, with Jade and HD Jade simulcast arrangements commencing at the earlier time of 19:00 on weekdays till late for seven days a week, showcasing self-produced programmes. HD Jade continued to offer during the non-simulcast hours with quality acquired documentaries and some of Asia's hottest productions.

The early Sunday evening HD documentary series was rescheduled to start at 18:30 in order to accommodate a richer programme line-up on Sunday evenings, and still delivered promising ratings performance. The series, *Wildlife (III)* took the position as the top-rated documentary of the year.

Late night drama timeslot continued to showcase a number of big budget productions and well-known serials from Mainland China. Glamorous costume-epic drama *The Stand-In*, which featured the live striving story of some China 1911 revolutionary forerunners delivered good rating performance on weekday nights, while the talk-of-the-town Chinese serial such as *Tiger Mom*, which depicted the different parenting styles

between a tiger Mom and a cat Dad, kept audience entertained during the weekends.

Popular acquired variety programmes and reality shows remained viewers' favourites during weekends. HD Jade continued to carry some of the hottest Asian versions of international formatted programmes, such as *I am a Singer*, *The Voice of China*, *The Brain China*, *Chef Nic (II)* and series of *MasterChef China*.

After the year-end, new programme schedules were introduced in February 2016 to Jade and HD Jade for the purpose of further diversifying the audience groups. HD Jade has been renamed J5 with a new programme line-up, departing from the long standing simulcast arrangement with Jade. Such new programmes on J5 include commentaries on the financial and the local property markets.

8.3 TVRs

HD Jade
prime time
(29% of Total TV)



J5

hdj

Wildlife - Guardians of the Kelp Forest: Sea Otters

© Mamare Touno, KADOKAWA / NHK, NEP





Chef Nic (II)



MasterChef China (II)

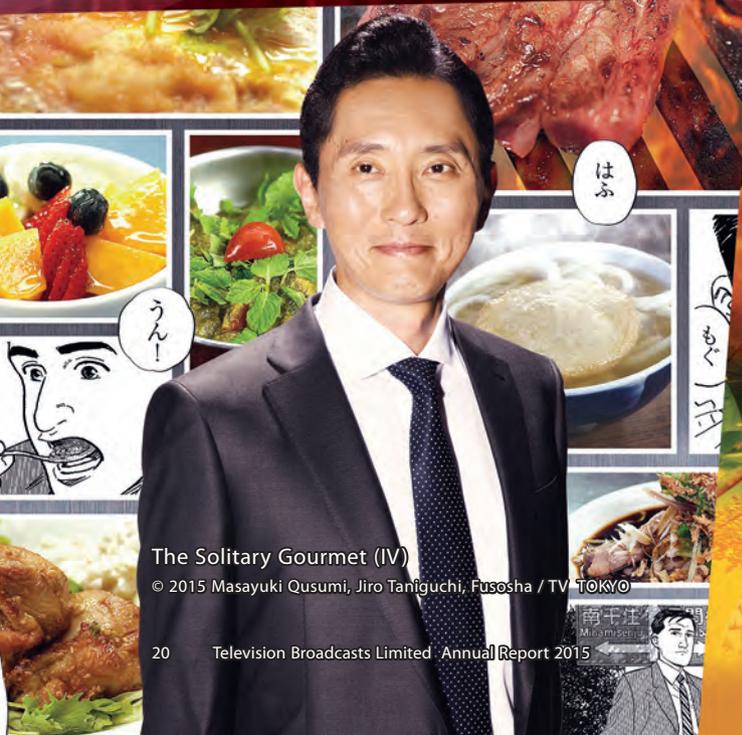
The Stand-In



The Producers
© KBS



Classic Movies



The Solitary Gourmet (IV)
© 2015 Masayuki Qusumi, Jiro Taniguchi, Fusosha / TV TOKYO



Red Sorghum

REVIEW OF OPERATIONS



CHANNELS FOR PAY TV PLATFORM

To better address the evolving needs of fragmented viewing needs of local viewers, our 13 channels for the pay TV platform underwent a revamp. After progressive rebranding of our channels, the 13 channels now comprise Japanese Drama, Korean Drama, Chinese Drama, Asian Select, TVB Classic, Classic Movies, Asian Variety, Food, Sports, Entertainment News, Jade Catch Up, TVBN and TVBN2.

Striving to expand the programmes' variety, we launched three new channels during the year. Chinese Drama and Asian Select have been added to the competitive foreign drama array, namely Japanese Drama and Korean Drama, which further strengthened our channel offerings with distinctive themes and personalities. In addition, Classic Movies assembling many classic titles from Hong Kong dating far back as the 50-70's was launched.

TVB's foreign drama channels have always maintained its lead in the pay TV market, offering viewers the most popular and highest-rated dramas in Asia. In addition to award-winning idol drama *Pinocchio*, Korean Drama channel fascinated fans by airing one of the hottest dramas *The Producers* within just four days of its telecast in South Korea. Japanese Drama endeavoured to lead the trend by exploring cutting-edge and experimental drama formats which included sequels *The Solitary Gourmet (IV)* and *Midnight Diner (III)*. Boasting big-budget and prominent dramas from Mainland China and the most recent idol hits from Taiwan, Chinese Drama included *Red Sorghum* starring award-winning actress Zhou Xun and *Taste of Love* which was screened close to local telecast in Taiwan. Asian Select introduced the "Asian Star Package" to present an assembly of signature works by renowned stars such as Kim Soo Hyun, Lee Min Ho and Kimura Takuya.

In 2015, TVB classic channel showcased many themed packages featuring the early works of veteran actors Sean Lau Ching Wan, Kent Tong Chun Yip, Gallen Lo Ka Leung, and actress Kathy Chau Hoi Mei. Besides, the channel also featured various 70-80's dramas which allowed viewers to take a close look at the society, the people and the culture at the time. Later in the year, a bundle of legendary *Enjoy Yourself Tonight* dramas were also revived, such as *Men of the House*.

For the launch of Classic Movies in 2015, well-known classic movie celebrities Bowie Woo Fung and Nancy Sit Ka Yin were invited to be the channel iconic talents. Powered by a library of Hong Kong's movie legacy of 50-70's, Classic Movies showcases a wide array of genres including Cantonese operas, fantasy and martial arts, featuring the most reputable and legendary artistes in the field, as well as providing an extraordinary entertainment experience by leading audience down the memory lane of old Hong Kong.

Asian Variety continued to deliver compelling varieties from Mainland China, Korea and Japan in various formats, including reality shows, talent shows and annual events. Biggest hits included the father-and-son reality show *The Return of Superman*, the reality cooking show *Three Meals a Day*, the long-running game show *Running Man* from Korea, and the couples interactive reality show *Love Journey* from Mainland China. Meanwhile, Food kept on scouting for delicate culinary programmes, exhibiting many hours of programmes about cuisines from around the world. Featured programmes included Korean cooking competition show *MasterChef Korea (II)*, Japanese documentary *Dining Al Fresco* and Chinese documentary *Flavours of Xinjiang*.

Live coverage of major Hong Kong-based international sports events was the focus of Sports in 2015. Hong Kong sports fans were able to enjoy live performances of Hong Kong athletes in international tournaments such as the *2018 FIFA World Cup Russia™ Asia Qualifiers* and the *Hong Kong Open Badminton Championships 2015*.

TVBN strove to provide 24-hour up-to-the-minute breaking news both locally and internationally, while TVBN2 remained to serve live coverages of news events. TVB Entertainment News continues to cover the hottest showbiz buzz and bring audience to many entertainment ceremonies and film festivals around the globe.

REVIEW OF OPERATIONS

HONG KONG DIGITAL NEW MEDIA BUSINESS

Hong Kong digital new media accounted for 4% of the Group's revenue during 2015.

Over the years, TVB has been actively investing in the digital new media business, monetising programmes and channels through our portal tvb.com and a range of mobile apps. In 2015, segment revenue fell 13% primarily due to lower on-line advertising income amid sluggish retail sales and the absence of non-recurring revenue from the 2014 World Cup. However, revenue from our new paid VOD streaming service, GOTV, is on the rise as the number of subscribers were five times more than last year. GOTV reported a total of more than 116,000 paid subscribers at 31 December 2015.

Our flagship app service myTV, a free content, advertising based service maintains a strong position and takes the lead in the Hong Kong video market with the number of unique browsers exceeding 2.7 million on a monthly basis. During the year, myTV, has undergone a major revamp aimed to boost viewership

by offering additional live streaming for Jade and upgrading the interface to make it easier to navigate. The add-on content and new user interface supported by a user-friendly searching function for better content discovery received positive feedback from users. The revamp also provides cross-border access to the website tvb.com and the mobile apps between Hong Kong and Macau. In addition, a new pay subscription VOD service has been integrated into myTV to boost video consumption.

A lot of our efforts in 2015 went into the development of our myTV SUPER platform to be launched in April 2016. This new service delivered via a TVB branded set-top-box and mobile app promises unrivalled picture quality, seamless catch-up and a rich content offering consisting of TVB's terrestrial and thematic channels, as well as other international brand channels, together with a 11,000 hours VOD offering. It is a platform that will enable TVB to lead the television market in Hong Kong in the future, in the face of all technological changes.



Scan to discover
myTV SUPER





The Launch Events of myTV SUPER





Line Walker



Flagship Entertainment Inaugural Press Conference



Singers of The Voice Entertainment Group



REVIEW OF OPERATIONS

OTHER HONG KONG OPERATIONS

INVESTMENTS IN MOVIE BUSINESSES

FLAGSHIP ENTERTAINMENT GROUP

As announced in September 2015, TVB has partnered with CMC and Warner Bros. Entertainment in investing in a new platform Flagship Entertainment Group for the purpose of developing and producing a slate of Chinese-language films, including global tent poles for distribution in Mainland China and internationally. Through a joint venture with CMC, TVB has an effective 5% interest in Flagship Entertainment Group.

SHAW BROTHERS PICTURES

Towards the end of 2015, a new movie *Line Walker* which is a spin-off from another hit TVB drama serial commenced production, with a strong line-up of major stars including Louis Koo, Nick Cheung, Francis Ng, Charmaine Sheh, Zhang Huiwen and Li Guangjie. *Line Walker* is targeted for release in the summer of 2016.

TVB has further invested in other movies which are at different stages of production or preparation. *From Vegas to Macau III* which is directed by Andrew Lau and Wong Jing and with a strong team including Chow Yun-fat, Andy Lau, Nick Cheung and Li Yuchun was released to the markets during the Chinese New Year period in early 2016. TVB is also producing other movies like *Girl of the Big House* starring Francis Ng, Miriam Yeung and Angela Wang, which is targeted for release in 2016. Another movie under production is *From Losers To Wynners*, starring Alan Tam, Kenny Bee and other members of the band Wynners, is at its initial preparation stage.

Besides movie production, TVB will distribute an animated film *Monkey King: Hero Is Back* in the summer of 2016. The film is to date the highest-grossing animated film released in Mainland China, surpassing *Kung Fu Panda 2*.

Looking forward, TVB will continue to develop its movie production and remake hit TVB drama serials as well. With its distribution business in coming years, it is expected that the movie related income will have a stable growth.

HONG KONG PAY TV PLATFORM

As announced on 4 August 2015, our net interest in the Hong Kong pay TV platform, TVBPAH, was fully impaired as at 30 June 2015. Operating under the name of TVB Network Vision, this business is being progressively downsized, in view of the development of the new OTT service. Subscribers on this platform shall gradually be migrated into the new OTT service. During the year, TVB continued to equity pick-up a net loss of TVBPAH in the amount of approximately HK\$33 million (2014: HK\$72 million).

MUSIC ENTERTAINMENT

Operating under a wholly-owned subsidiary, The Voice Entertainment Group Limited engages in artistes' sound recordings, music productions, music copyrights management, music publishing and artistes management, which comprise primarily the production and the ownership of musical titles developed and written for TVB drama serials and programmes, and the management of a growing number of performing singers for the station's music platform. Over the years, a number of singers have successfully developed their career in musical performance in Hong Kong, through many TVB's platforms.

PUBLICATION

TVB publishes a magazine TVB Weekly, which carries an overall programme guide for all TV channels in Hong Kong, and news and promotional articles relating to our programmes and artistes. An electronic version of the magazine is also available through a mobile app TVB Zone.

Amid ongoing economic uncertainty and shrinking advertising budgets, particularly among the luxury brands, stringent cost control measures were implemented. As part of an overall cost control measure, publication of Live, an upmarket supplement of TVB Weekly, has been changed from weekly to monthly, since July 2015. The resulting savings in printing costs helped improve the profitability of this business.

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS



TVB Jade
Australia, China,
Europe, HK



TVB Pearl
China, HK, USA



Jade Channel
USA



TVB - V
Australia, USA



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



NORTH AMERICA

CANADA USA

EUROPE

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

AFRICA

SOUTH AFRICA

ASIA

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

OCEANIA

AUSTRALIA NEW ZEALAND



TVB星河輪播

Xing He

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



TVBJ

Australia



TVBJ

Indonesia, Singapore

TVB 馬來西亞 星光薈萃 頒獎典禮 2015 TVB Star Awards Malaysia 2015



TVB Star Awards Malaysia 2015



Neighborhood Gourmet 3



All Things Girl In Malaysia

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

TRADITIONAL AND NEW MARKETS

Programme licensing and distribution business, comprising the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, accounted for 19% of the Group's revenue.

The two key traditional markets, Malaysia and Singapore, contributed a total revenue of HK\$456 million in 2015 (2014: HK\$455 million). Our licensing business continued through MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), which operates the Astro platform in Malaysia, and StarHub Cable Vision Limited ("StarHub") in Singapore, under multiple years' contracts.

TVB programmes continue to attract viewers and to capture the attention of many overseas Chinese residing in these countries, against many well-received productions from Taiwan, Korea and Japan. Our businesses continued to be adversely affected by unauthorised Internet downloading and the growing influx of illegal OTT boxes carrying TVB's programmes. In Malaysia, the introduction of goods and services tax last year further dampened the overall business sentiment. For the long term development of our business, TVB has increased the programme production in Malaysia and Singapore in an effort to localise our programmes, further increasing their appeals to local viewers. During the year, programmes such as *Eating*

Well With Madam Wong In Singapore, All Things Girl in Malaysia, StarHub TVB Awards 2015 and TVB Star Awards Malaysia 2015, were produced to further strengthen our market position for Chinese programmes there.

In Vietnam, we are partnering with Saigontourist Cable Television Company Limited ("SCTV"), the country's largest TV network to compile a channel for TVB dramas. Since March 2015, our drama serials have been delivered to SCTV for same day broadcast, resulting in encouraging growth in both TV ratings and advertising revenue.

In Cambodia, we have secured fixed broadcast time-belts on a number of major local terrestrial TV channels. This breakthrough has allowed us to tap into the fast growing advertising market. We shall also make good use of our programme library to develop our licensing business to these non-traditional markets, such as Indonesia and Thailand. As dramas with special visual effects are customarily well-received by audiences in these markets, we are re-packaging these programmes with the addition of some local elements.

Going forward, we are assisting MEASAT in its rolling out of new services and offerings in Malaysia during 2016 which would include new mobile apps targeting the younger generation, and an OTT service to extend our reach to a wider audience group. Further, we are planning to compile a TVB Channel bouquet on MEASAT's platform for our fans. Working together with StarHub in Singapore, we are assisting it in its launch of two mobile apps, namely E-news and TVB News.



StarHub TVB Awards 2015

REVIEW OF OPERATIONS

MAINLAND CHINA

After several years of growth, our China operations suffered a set-back during the year, with a revenue decline of approximately 29%, from HK\$383 million to HK\$271 million. Our business in Mainland China carried out under a joint venture company 上海翡翠東方傳播有限公司 (“TVBC”) under-performed in a highly competitive market. We would attribute the above set-back to the stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television (“SAPPRFT”) in the PRC over imported programme titles which do not favour non-Mainland importers, and the prolonged delay in improving our licensing arrangement in the Guangdong Province, where two of our channels are being carried over the provincial network in return of a small licence fee. On the digital new media business, TVBC encountered short-term problems in working with a major online operator, which had prevented our ability to recognise the related licensing revenue. We hope that this situation can eventually be resolved. TVBC, however, did endeavour to produce programme content and to seek nation-wide distribution with some encouraging results. But, in this highly competitive market, the positive effort made in developing our production business was negated by the revenue shortfall from the digital new media segment.

OVERSEAS PAY TV OPERATIONS

Overseas pay TV operations accounted for 4% of the Group's revenue during 2015.

Operating in three territories, namely North America (USA), Australia and Europe, we continue our strategy to widen distribution of TVB programmes and to migrate from satellite platforms to an OTT service. We have achieved during 2015 some success in growing subscribers, as our many anti-piracy measures are starting to pay off.

Since the introduction of TVB Anywhere, our OTT service in Europe in 2014, we have launched the same service in Australia in early 2015. OTT has proven to be a more cost efficient technology, compared to transmission through traditional satellite TV channels. Our OTT service is an integrated service offering not only live channels but also value added functionalities, including seven-day programme catch up, electronic programme guide, video-on-demand as well as viewing through mobile devices.

NORTH AMERICA (USA)

TVB's programmes are being carried by DISH Network in the USA. We are actively riding on the new media trend by releasing TVB contents in multiple platforms, including Viki, Hulu, YouTube to tap into the growth in advertising revenue in digital new media. In 2015, advertising revenue from digital new media recorded high double digit percentage growth against 2014.

We joined the anti-piracy alliance led by DISH Network and successfully obtained an injunction against an illegal OTT syndication which was one of the most active pirates of TVB content. As a result, viewers of illegal contents have gradually been migrating back to our service.

AUSTRALIA

We launched TVB Anywhere in February 2015 to gradually replace the direct-to-home satellite pay TV service. With this new service in place, we introduced a new format of advertisements to advertisers on VOD service, which attracted the interest of many potential advertisers. As a result, growth in advertising income was achieved. In July 2015, the Senate of the Australian Government passed a site-blocking bill which requires all local Internet service providers to disconnect those websites which infringe copyrights.

EUROPE

The profitability of operation was significantly improved under the introduction of TVB Anywhere. Many ex-subscribers of our satellite pay TV service returned to this OTT service resulting in a net growth of subscribers. Further, several local telecom platforms have expressed interest to carry our TVB Anywhere package offering guaranteed income to us.

COMBATING PIRACY

Sustained anti-piracy efforts to protect our business interests began to deliver some success in 2015.

In June 2015, a preliminary injunction order was granted by a USA court against the manufacturer, distributor and several retailers of TV Pad, a notorious pirate TV box, in a joint civil suit by TVB/CCTV/DISH. Compensation and costs are being assessed by the court. The case was widely reported in the media, achieving a successful deterrent effect. As a result, our subscription sales in the USA have picked up. A new

civil suit against another major brand of pirate TV box is being prepared.

In November 2015, the Mainland Chinese authorities conducted an operation against IPTV platforms exhibiting unlicensed foreign films. 81 websites/apps, mostly with infringing TVB content, were shut down. Several notorious pirate TV boxes, including one major brand which was the target of our complaint to the National Copyright Administration in the PRC, stopped operation almost at the same time. Infringing streaming of our programmes in Mainland China has scaled down to a large extent. We are closely monitoring the situation, and shall continue to report piracy activities to the authorities.

Several Internet piracy cases were detected by Customs in Hong Kong and Macau, including one major case where three persons were arrested in Hong Kong and Macau, and over 5,000 titles infringing TVB dramas were found in one of the recording equipment.

We are exploring to start site-blocking actions in the UK and Australia against pirated TV boxes. We are looking for local content providers in those jurisdictions as partners in such actions to create a better publicity effect.

To effectively tackle the pirate TV box problem in our overseas markets, we are actively lobbying the UK and the Australian Governments to update their copyright legislations by including criminal sanctions against the supply of pirate TV boxes and infringing apps. The matter is now receiving their close attention. In Hong Kong, we joined the Hong Kong Copyright Alliance in actively lobbying the Legislative Council members to pass the Copyright (Amendment) Bill 2014, which contains new provisions to stop the streaming piracy problem, amidst the tough opposition from the netizens. Unfortunately, the bill has been stalled for an indefinite period of time. We shall continue to lobby the Government to legislate new criminal provisions to stop the supply of pirate TV boxes and infringing apps.

CHANNEL OPERATIONS

Channels operations include the operation of two satellite channels TVB8 and Xing He channels which are distributed through satellites to Mainland China, and as part of TVB's offerings to MEASAT, StarHub and Telekom Malaysia. We are adopting a more aggressive strategy and invested more resources in producing local programmes in Malaysia and Singapore to increase viewership and to attract advertisers' spending.

To attract audiences from different oversea markets, we held a number of events such as the *International Chinese New Talent Singing Championship 2015*. In view of the popularity of new media technology especially in Mainland China, online promotional activities were held to promote our events. Young talents from universities were recruited via the *Frame of Youth* campaign to report news about the *International Chinese New Talent Singing Championship 2015* on new media platforms. This helped arouse the interest of the younger generation about TVB8.

TAIWAN OPERATIONS

TVBS – TAIWAN

Total advertising revenue in Taiwan was adversely affected by the slowing economy. Despite the unfavourable economic condition and intense competition from the new media, TVBS' market share of TV advertising revenue increased from 9.8% in 2014 to 10.0% in 2015. However, TVBS' total revenue in 2015 only slightly increased, when compared to 2014.

Pursuant to the two disposal agreements dated 29 January 2015 and 4 January 2016, the Group ceased to hold any interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group"). The two transactions were completed in May 2015 and March 2016 respectively.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility plays a significant role in our corporate philosophy. We are well aware of the importance of protecting our environment, providing a healthy and safe workplace for our staff as well as giving back to society for the betterment of Hong Kong.

ENVIRONMENTAL PROTECTION

The Company won a Certificate of Merit (Media and Communication Sector) in the “2014 Hong Kong Awards for Environmental Excellence” organised by Environmental Campaign Committee in recognition of the Company as a Hong Kong Green Organisation.

The energy saving project launched in 2012 continued. Various energy efficiency enhancement measures were implemented during the year, such as the Energy Optimization Programme for water-cooled and air-cooled chillers, replacement of aged chillers as well as the installment of LED lighting etc.

Electricity is one of the major resources for TV production. In 2015, despite our increased equipment investment in several broadcasting and production projects, the power consumption was successfully trimmed down to around 45.5 million kilowatt per hour, 3.87% less than the previous year.

Water consumption in 2015 totalled 104,032 cubic metres, a decrease of 1.8% when compared to 2014. The vehicle replacement scheme which started in 2012 aiming to improve roadside air quality continued in 2015, and around 48% of the Company’s cars now fulfill the Euro V emission standard. The scheme will continue in the coming years.

To support the green energy usages, TVB had installed two EV chargers in our workplace carpark to encourage staff to use electric car with the aim to reducing air pollution.

In 2016, improving workplace air quality as well as enhancing the Energy Management System (EMS) would be our major tasks. The second installation process of Electronic Air-Purifier in our workplace had started and was expected to be completed in 2016.

WORKPLACE PRACTICES

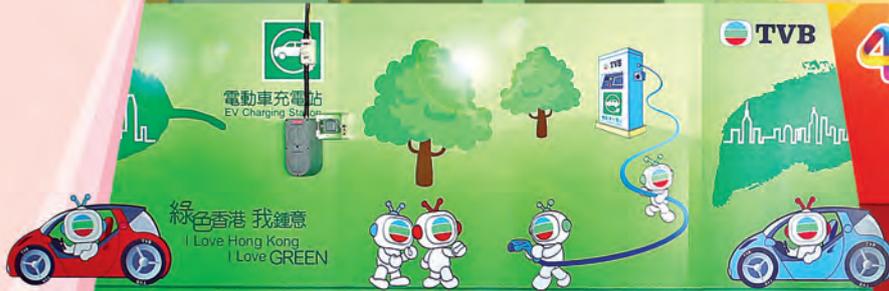
The Group had a total of 4,221 full time staff and artistes at the end of 2015. Of them, 4,062 were employed in Hong Kong. There was a decrease of 1,134 staff in overseas as a result of the disposal of its operation in Taiwan carried on by Liann Yee Group. The increase of 82 staff in Hong Kong was due to new business development.



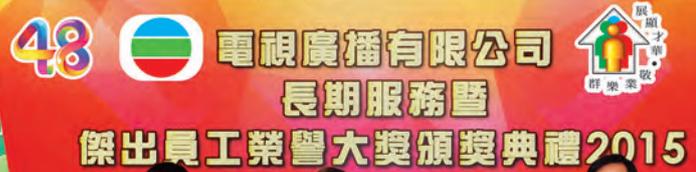
The Community Chest 2014/2015 Hong Kong and Kowloon Walk for Millions



2015 TVB Inter-Collegiate Documentary Competition



EV Charging Station at TVB City



Outstanding Employee Award Scheme 2015



Charity Sale of Cookies



TVB Giant Basin Feast 2015

CORPORATE SOCIAL RESPONSIBILITY

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 and internal intranet are adopted to enhance communications with staff and help cultivate a sense of belonging among colleagues. The Benefit and Staff Relations Section organised sports and recreational activities, outings and interest classes for our employees. In 2015, 12 staff were recognised for their outstanding performance under the Outstanding Employee Award Scheme.

A Safety Committee has been established to identify and review measures to improve occupation health and safety of the workers. Annual safety audit and monthly safety inspections were conducted with satisfactory results. A total of 16 training courses on workplace risk assessment and occupational or personal safety were organised.

During the year, 95 accidents or incidents occurred resulting in injuries to 90 staff. Investigations were carried out to find out the causes of the accidents and immediate arrangements were put in place to prevent recurrence.

OPERATING PRACTICES

The Corporate & Community Relations Department uses various means including Audience Hotline and email to communicate with the public in relation to our TV programmes. In 2015, 34,668 enquiries, 6,014 suggestions and comments, 652 commendations and 82 complaints were received and handled. Each month, a report with details of complaints was submitted to the Office of the Communications Authority.

Another Programme Hotline serves our audience by providing pre-recorded information on prime time programme schedule of Jade and Pearl channels. A total of 20,747 calls were received.

TVB, as a public body, is governed by the Prevention of Bribery Ordinance. The Company has promulgated purchasing policy and procedures prohibiting solicitation of any advantage by employees from contractors, suppliers or any person in connection with our business. The Company issued circulars from time to time to remind staff and suppliers of our anti-corruption policy.

COMMUNITY INVOLVEMENT

The Company continued to contribute towards the betterment of the community through donation, use of programme time and resources.

Since its establishment in 2013, TVB, Staff & Artistes Fund for Charities ("Fund") continues to strive for the aim of providing aid to victims of calamities, poverty relief and caring for the elderly. In 2015, the Fund received 133 cases referred by 43 non-governmental organisations, Social Welfare Department and Labour Department. Of them, 100 cases were approved and subsidies totalling HK\$1,122,980 were granted to support the low-income families, new immigrants and the elderly.

The Fund also donated HK\$435,844 to sponsor charitable activities including the Winter Solstice Food Donation and Santa Claus Project, benefitting 5,465 participants.



Distribution of Winter Solstice gift packs



Interaction with students at Holland Hostel

TVB announced its support to the government's campaign of organ donation at the celebration of its 48th anniversary in November 2015. The Fund will work closely with the Department of Health to help raise public awareness and promote a culture of voluntary organ donation. Led by Chairman Dr. Charles Chan and Group CEO Mr. Mark Lee, 168 TVB staff registered as organ donors within one month.

During the year, the Company produced and aired a variety of TV programmes drawing public awareness to the needs of the less fortunate and encourage public support for worthy charitable causes. In 2015, fund-raising TV specials produced for charitable organisations raised a combined total of over HK\$200 million. The "Tung Wah Charity Show 2015" raised a record amount of over HK\$100 million.

As a licensing condition, the Company needs to provide free airtime to broadcast government publicity messages, known as Announcements in the Public Interests (API). In 2015, we broadcast, a total of 730 hours of APIs on the five free TV channels.

With a view to nurturing a new generation of journalists and television professionals, the Company, for the second year, organised TVB Inter-Collegiate Documentary Competition on production of documentary programmes covering issues of public importance. It gave tertiary students of relevant disciplines to practise television production in accordance with industry standards. Eight universities and colleges participated in the competition.

The Company jointly launched in November 2015 a short inspirational film project - "One Minute, One Emotion" with Lee Hysan Foundation. TVB will contribute a total of 50 minute free air time to broadcast the films on the Jade channel with repeats at appropriate times in other digital channels. Lee Hysan Foundation will provide financial support to Hong Kong Federation of Youth Groups Jockey Club M21 in supervising and guiding students to produce these inspirational and real-life stories. The first film debuted on 19 March 2016 and will last for about 6 months.

Once again, the Company was awarded the "10 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service in recognition of its efforts in caring for the community, employees, and the environment.

During the year, TVB artistes took part in various community events including the Hong Kong Flower Show, Tuen Ng Festival and Mid-Autumn Festival to show their caring spirit. They also joined Christmas parties with children patients at Queen Mary Hospital and the Children's Cancer Foundation.

The Company continued to provide scholarships to outstanding students studying journalism and communication, movie and television in three universities.

The annual Charity Sale of Cookies, co-organised with a local charity and a bakery, raised over HK\$904,000.

In support of the Hong Kong Red Cross, two blood donations were organised and more than 210 staff gave blood.



Organ Donation Appeal at Giant Basin Feast 2015

FINANCIAL REVIEW

OVERVIEW

CONTINUING OPERATIONS

For the year ended 31 December 2015, the Group's continuing operations comprised Hong Kong TV broadcasting, Hong Kong digital new media, programme licensing and distribution, overseas pay TV operations, channel operations and other activities, including movie investment; movie production; music entertainment and publications.

The Group recorded a revenue under continuing operations of HK\$4,455 million (2014: HK\$4,912 million), a decrease of 9%. Cost of sales decreased from HK\$2,016 million to HK\$2,009 million, a decrease of 0.3%. As a result, gross profit decreased from HK\$2,896 million to HK\$2,446 million, a decrease of 16%. The gross profit percentage stood at 55% (2014: 59%).

Overall, revenue from both Hong Kong and overseas businesses reported decline. Income from Hong Kong, comprising mainly advertising revenue, decreased due to the weaker advertising market, and the absence of one-off revenue from the 2014 World Cup. Further, income from the overseas key markets decreased, which was caused mainly by the strength of the US dollars against various foreign currencies, and a weaker performance from licensing and distribution in Mainland China.

Cost of sales decreased from HK\$2,016 million to HK\$2,009 million, a decrease of 0.3%. Included in the cost of sales were the cost of programmes, film rights and stocks which amounted to HK\$1,539 million (2014: HK\$1,575 million), a decrease of 2%, partly because of the absence of the licence rights and the production costs for the 2014 World Cup.

Selling, distribution and transmission costs amounted to HK\$577 million (2014: HK\$556 million), an increase of 4%, which reflected a higher staff cost level principally in Hong Kong.

General and administrative expenses amounted to HK\$853 million (2014: HK\$763 million), an increase of 12%. The increase was caused mainly by a provision for impairment on trade receivables amounted to HK\$36 million made during the year, and one-off professional fees totalling HK\$39 million incurred in relation to an aborted corporate reorganisation.

Due to the strength of the US dollar against various foreign currencies, the Group incurred exchange losses of HK\$85 million during the year (2014: HK\$12 million). Such exchange losses were mainly related to the re-translation of various foreign currencies such as Malaysian Ringgit, Renminbi and a loan in New Taiwan dollar. Last year, other losses also comprised a HK\$73 million loss on liquidation of subsidiaries relating to overseas pay TV operations, following the discontinuance of the satellite distribution business model and the migration to TVB Anywhere.

In addition, exchange losses on Renminbi fixed term deposits amounted to HK\$42 million was recognised resulted from the depreciation of Renminbi during the year.

Following a review of the operating environment in Hong Kong, the Board had decided to cease construction of the production studios and related facilities at a new site in Tseung Kwan O Industrial Estate, close to TVB City. Accordingly, an impairment loss of a net amount of HK\$88 million was recognised, after taking into account of certain amounts refundable upon return of the site to Hong Kong Science and Technology Parks Corporation.

Operating profit before deducting (i) exchange losses on Renminbi fixed term deposits of HK\$42 million and (ii) impairment loss on property of HK\$88 million, amounted to HK\$1,006 million (2014: HK\$1,569 million), a decrease of 36%.

Furthermore, a total impairment loss of HK\$695 million was recognised during the year (including the impairment loss of HK\$654 million already taken up in the six months ended 30 June 2015), representing 100% of the Group's net interest in TVB Network Vision, an associate engaging in Hong Kong pay TV business, at 31 December 2015.

Profit before income tax for the year amounted to HK\$126 million (2014: HK\$1,482 million), a decrease of 91% over 2014.

The Group's taxation charge amounted to HK\$144 million (2014: HK\$221 million), a decrease of 35%. Whilst the profits tax rate for Hong Kong remained at 16.5%, the Group's major subsidiaries operate in the countries whose effective rates vary from 0% to 41%.

Overall, the Group's loss attributable to equity holders for continuing operations for the year amounted to HK\$4 million (2014: a profit of HK\$1,251 million).

DISCONTINUED OPERATIONS

For the year ended 31 December 2015, the Group's discontinued operations comprised the Taiwan operations under Liann Yee Group. As announced on 29 January 2015, the Group disposed of a 53% equity interest in the Liann Yee Group to certain independent third parties for a cash consideration of NT\$4,695 million (approximately HK\$1,182 million) (the "First Disposal"). On 6 May 2015, this disposal was completed and a gain of HK\$1,396 million (represented by a gain on disposal of the 53% equity interest of HK\$852 million and a gain on the revaluation of the 47% retained interest of HK\$544 million) was recognised. Prior to the First Disposal, Liann Yee Group had distributed a dividend to the Group and accordingly, a withholding tax of HK\$53 million was also recognised.

Post completion of the First Disposal in May 2015, the Liann Yee Group has become a joint venture of the Group, resulting in the adoption of equity accounting in respect of the 47% retained interest in the Liann Yee Group.

In total, an amount of HK\$103 million profit in respect of Liann Yee Group was recognised in the consolidated financial statements.

As further announced on 4 January 2016, the Group further disposed of the remaining 47% retained interest in Liann Yee Group, for a cash consideration of NT\$4,343 million (approximately HK\$1,017 million) (the "Second Disposal"). Upon its completion in March 2016, the Group has ceased to hold any interest in the Liann Yee Group.

In view of a plan to repatriate the proceeds of the Second Disposal to Hong Kong in the form of dividend upon completion, a deferred tax provision of HK\$111 million had been made in the consolidated financial statement for the year.

Post completion of the First Disposal in May 2015, the Liann Yee Group's assets and liabilities had not been consolidated into the Group's consolidated statement of financial position at the year end. As a result of the Second Disposal entered into post year-end, the carrying value of the 47% retained equity interest together with a shareholder loan to the Liann Yee Group had been shown as "Non-current asset held for sale" and "Loan and receivables" respectively in the consolidated statement of financial position at 31 December 2015.

Certain property assets located in the Neihu District and on Bade Road in Taiwan have been transferred from the Liann Yee Group to the Group. The Group is leasing back these properties on normal commercial terms to the Liann Yee Group for use as studios and offices. These properties have been included as "Investment properties" in the Group's consolidated statement of financial position, and the related income was accounted for under continuing operations for the year.

EARNINGS PER SHARE

Overall, the Group's profit attributable to equity holders for continuing operations and discontinued operations for the year amounted to HK\$1,331 million (2014: HK\$1,410 million), a decrease of 6%, giving a basic and diluted earnings per share from continuing and discontinued operations of HK\$3.04 (2014: HK\$3.22).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting which comprised advertising revenue from the Group's free TV channels and the pay TV channels declined from HK\$3,420 million to HK\$3,105 million, a decrease of 9%, due to the sluggish advertising market and absence of event in the year. The above decrease in revenue of HK\$315 million mainly explained the reduction in the segment profit before non-recurring expenses from HK\$947 million to HK\$551 million, a decrease of 42%. Non-recurring expenses comprised (i) exchange losses on Renminbi fixed term deposits, (ii) impairment loss on property, and (iii) impairment loss on loan to and amount due from an associate. Taking into account of the non-recurring expenses, the segment results recorded a loss of HK\$274 million (2014: a profit of HK\$947 million).

Revenue from Hong Kong digital new media which comprised advertising revenue from mobile devices and website portals, declined from HK\$196 million to HK\$170 million, a decrease of 13%, due to the weaker advertising market resulting in lower advertising revenue. The segment profit decreased from HK\$66 million to HK\$41 million, a decrease of 38%.

FINANCIAL REVIEW

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, decreased from HK\$1,085 million to HK\$951 million, a decrease of 12%. The decrease in revenue was mainly attributable to the lower licence fee receivable from Malaysia resulting from depreciation of the Malaysian Ringgit against Hong Kong dollars, and the lower licence fee from digital new media business in Mainland China. Higher programme costs and exchange losses in relation to a loan in New Taiwan dollars extended to the Liann Yee Group were incurred during the year. As a result, this segment recorded a profit of HK\$410 million (2014: HK\$619 million), a decrease of 34%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and Europe, decreased from HK\$243 million to HK\$186 million, a decrease of 24%. The decrease in revenue was mainly due to the adverse impact on subscription revenue caused by the proliferation of pirated TV contents overseas. Such unfavourable variance was partly offset by savings in operating costs due to discontinuation of operations of the subsidiaries in Europe resulting from transformation of the business models from satellite distribution to TVB Anywhere. In 2014, we incurred a one-off loss on liquidation of subsidiaries in Europe amounting to HK\$73 million. As a result, this segment recorded a loss of HK\$31 million (2014: HK\$100 million).

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, decreased from HK\$125 million to HK\$105 million, a decrease of 16%. The segmental profit decreased from HK\$32 million to HK\$17 million, a decrease of 47%, which was mainly caused by lower advertising revenue from Malaysia market but partly offset by some savings in costs, primarily staff expenses.

Revenue from other activities which comprised revenue from magazine publishing and production of musical works, recorded an increase from HK\$75 million to HK\$129 million, an increase of 72%. This segment recorded a profit of HK\$11 million (2014: a loss of HK\$3 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2015. Total equity stood at HK\$7,836 million (2014: HK\$8,704 million), a decrease of 10%. There has been no change in the share capital of the Company, namely 438,000,000 shares in issue.

At 31 December 2015, the Group had unpledged bank and cash balances of HK\$2,817 million (2014: HK\$3,332 million), a decrease of 15%. Out of the unpledged bank and cash balances, 37% were in Hong Kong dollars, 35% in US dollars, 26% in Renminbi and 2% in other currencies. About 10% of the unpledged bank and cash balances (approximately HK\$287 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations are being placed as time deposits with banks.

During the year, the Group had invested a joint venture to develop, produce and invest in primarily Chinese-language motion pictures. This investment was classified under "Available-for-sale financial assets" in the consolidated statement of financial position.

Trade receivables from third parties amounted to HK\$1,381 million (2014: HK\$1,551 million) decreased by 11% over the last year end, as trade receivables from the Liann Yee Group were not included in the consolidated statement of financial position as explained in "Discontinued operations". Special provision has been made, where appropriate, to cover any potential bad and doubtful debts. As more prepayments had been made during the year for the purchases of programmes and contents, the amount of "Other receivables, prepayments and deposits" at 31 December 2015 increased, when compared with 2014.

As the Group had reached a settlement with the Inland Revenue Department of Hong Kong on the tax audit in respect of the profits generated by the Group's programme licensing and distribution business carried out overseas, the tax reserve certificates purchased as at last year end were used for settlement during the year. Over-purchased tax certificates had been refunded during the year. Accordingly, the current income tax liabilities of the Group at 31 December 2015 decreased, when compared with 2014.

At 31 December 2015, the Group's net current assets amounted to HK\$5,622 million (2014: HK\$5,314 million), an increase of 6%. At 31 December 2015, the current ratio, expressed as the ratio of current assets to current liabilities, was 8.8 (2014: 5.0).

At 31 December 2015, the Group's total bank borrowings decreased to HK\$235 million (2014: HK\$392 million), which were related to a secured bank loan which is denominated in New Taiwan dollars and floating interest bearing. The maturity profile of the Group's borrowing was as follows: in the second year, HK\$11 million (5%); in the third to fifth years, HK\$54 million (23%); over five years, HK\$170 million (72%). At 31 December 2015, the gearing ratio, expressed as a ratio of gross debts to total equity, was 3.0% (2014: 4.5%).

At 31 December 2015, certain investment properties of a subsidiary of the Group with net asset value of HK\$584 million had been pledged to secure a bank loan granted to that subsidiary. In addition, bank deposits of HK\$2 million had been pledged to secure banking facilities granted to certain subsidiaries of the Group.

At the year end, the Group had capital commitments totalling HK\$166 million (2014: HK\$100 million), an increase of 66%.

FINANCIAL GUARANTEE

At 31 December 2015, there was guarantee given to a bank amounting to HK\$7 million for banking facilities granted to an investee company (2014: HK\$22 million 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 movement, the Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements against significant foreign currency exposures, where necessary. No forward exchange or hedging contract was entered into by the Group during the year.

HUMAN RESOURCES

At the year end, the Group employed, including contract artistes and staff but excluding Directors and freelance workers, a total of 4,221 (2014: 5,273) full-time employees. The reduction was due to the exclusion of the staff of the Liann Yee Group this year.

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 basis or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. About 4% of the Group's manpower was employed in overseas subsidiaries, and was paid on scales and systems relevant to the respective localities and legislations.

For Hong Kong employees, discretionary bonuses may be awarded as incentive for better performance. For the year, all qualified personnel received discretionary bonuses averaging 1.2 of their monthly basic salaries. The Group does not operate any employee share option scheme.

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

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

The Group has also been running a scheme of staff rotation between different departments so that a selected number of staff can acquire the basic understanding of the operations of the participating departments, before settling into one of the departments. During the year, a total of three staff was carefully selected under this scheme, which is now in the second year of running.

COMMENDATIONS AND AWARDS



2015 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

TVB Most Popular TV Commercial Awards 2014

Bronze Award in Total Package Design: Print Only - Channel or Programme category



2015 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

Neighborhood Ghost Stories

Bronze Award in Set Design category



2015 New York Festivals International Television & Film Awards

Tycoon Talk

Finalist in Documentary/Information Open & Titles category



2015 New York Festivals International Television & Film Awards

The Pearl Report: Mainland Mums, HK Kids

Finalist in Social Issues category



2015 RTDNA Edward R. Murrow Award

Tuesday Report: Super Exam Factory: A Living Hell/Reform

Regional Award in News Documentary category



2015 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

Tiger Cubs II

Silver Award in Made-For-Television Movie Spot category



2015 PromaxBDA Global Excellence Promotion, Marketing & Design Awards

Miss Hong Kong Pageant 2014

Gold Award in Set Design category



2015 New York Festivals International Television & Film Awards

2014 Amazing Sports

Bronze World Medal in Sports Programme Promotion category



2015 New York Festivals International Television & Film Awards

Tuesday Report: Super Exam Factory: A Living Hell/Reform

Gold World Medal in Educational/Instructional category



2015 RTDNA Edward R. Murrow Award

News At 6:30: Suspected Police Brutality Against Occupy Protester

Regional Award in Reporting: Hard News category



2015 PromaxBDA Asia Awards

Sora Lee Chi Wai of
 "2014 Halloween Image" & "FIVB Volleyball
 World Grand Prix - Hong Kong 2015"

Gold Award in Rocket Award



2015 PromaxBDA Asia Awards

Tiger Cubs II

Silver Award in Best Drama
 Promo category



2015 PromaxBDA Asia Awards

The Heritage of Hong Kong

Silver Award in Best Documentary or
 Factual Entertainment Promo category



20th Asian Television Awards 2015

Ivana Wong in "Come On, Cousin"

Winner in Best Comedy Performance
 by an Actor/Actress



20th Asian Television Awards 2015

Kristal Tin in "Black Heart White Soul"

Highly Commended in Best Actress
 in a Leading Role



20th Asian Television Awards 2015

Tycoon Talk

Highly Commended in Best
 Talk Show category



**55th Festival de Télévision de Monte-Carlo
 - 2015 Golden Nymphs Award**

*News At 6:30: Suspected Police Brutality
 Against Occupy Protester*

Winner in Best TV News Items category



**55th Festival de Télévision de Monte-Carlo
 - 2015 Golden Nymphs Award**

*Tuesday Report: Super Exam Factory:
 A Living Hell/Reform*

Diplôme de Nomination in
 Best Current Affairs Documentaries category

RATINGS HIGHLIGHTS



Scan to discover
Top 3 Dramas

Jade

Top 5 Dramas Consolidated Ratings



Ghost of Relativity

29.2 TVRs



The Empress Of China

27.2 TVRs



Eye In The Sky

26.9 TVRs



Brick Slaves

26.8 TVRs



Lord Of Shanghai

26.5 TVRs

Pearl



Harry Potter and the Deathly Hallows™ Part 2

7.8 TVRs



Avatar

7.5 TVRs



Marvel's The Avengers

7.2 TVRs



Captain America : The First Avenger

7.0 TVRs



The Dark Knight Rises

7.0 TVRs



TVB 48th Anniversary Gala

31.0 TVRs



TV Awards Presentation 2015

30.3 TVRs



Miss Hong Kong Pageant 2015

27.6 TVRs



Not Far But Away

26.0 TVRs



Four Amigos Bon Voyage

25.0 TVRs

Top 10 English Programmes TV Ratings



Thor : The Dark World

6.8 TVRs



Iron Man 3

6.8 TVRs



Madagascar 3 Europe's Most Wanted

6.7 TVRs



The Dark Knight

6.6 TVRs



Furious 6

6.3 TVRs

1 Consolidated rating is defined as the summation of TV rating, online live 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 2015, the total TV population comprises 6,466,000 viewers, and therefore, 1 TVR represents 64,660 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 live rating is defined as an aggregate live rating generated from live channel broadcasts via 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 live rating also represents 64,660 viewers, same as TV rating.
4 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 64,660 viewers, same as TV rating.



HAPPY HAPPY HAPPY HAPPY
BIRTHDAY BIRTHDAY BIRTHDAY
HAPPY BIRTHDAY
48 48 448 DAY

48

CORPORATE GOVERNANCE

DIRECTORS



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

Aged 61, was appointed as a Non-executive Director of the Company on 1 April 2011. Dr. Chan serves as the Chairman of the Board and the chairman of the Executive Committee since January 2015 and as a member of the Remuneration Committee since February 2015. Dr. Chan has over 30 years of international corporate management experience in the construction and the property sectors, as well as in strategic investments. He is the chairman and executive director of ITC Corporation Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Dr. Chan holds an Honorary Degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering. 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
Member of Executive Committee
Member of Risk Committee

Aged 60, joined the Company on 1 February 2007. Mr. Lee was appointed as the Group General Manager in September 2009 and was re-titled as the Group Chief Executive Officer in January 2015. He was appointed as Executive Director in March 2010. Mr. Lee also serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Lee is a non-executive director 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
Member of Executive Committee
Member of Risk Committee
General Manager

Aged 59, was appointed as an Executive Director of the Company on 1 January 2015. Mr. Cheong serves as a member of the Executive Committee and the Risk Committee. In addition, he holds directorships in a number of the subsidiaries of the Company. Mr. Cheong joined the Company as Controller, Marketing & Sales in March 1989 and assumed the duties of General Manager in April 2004. He is responsible for marketing and sales function under Hong Kong TV broadcasting, as well as Hong Kong digital media business. Mr. Cheong has extensive experience in the advertising and marketing industry and contributes actively to the professional development of marketing in Hong Kong through leading marketing industry bodies. He is a Fellow and Executive Committee Member of the Hong Kong Management Association as well as a Fellow and Hong Kong Regional Board President of the Chartered Institute of Marketing.



Mona FONG
Non-executive Director

Aged 81, 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. 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.



Jonathan Milton NELSON
Non-executive Director

Aged 59, 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\$44 billion of committed capital. Mr. Nelson has been investing in private equity transactions for over 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 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, the Institute for Advanced Study 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
Member of Nomination Committee

Aged 58, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, a former Non-executive Director of the Company, between 3 September 2002 and 3 February 2012. Mr. Lee serves as a member of the Audit Committee and the Nomination Committee. Mr. Lee is a director of Hysan Development Company Limited, a company listed on the Main Board of the Stock Exchange, and a director of Lee Hysan Estate Company, Limited. He is also a director and a substantial shareholder of Australian-listed Beyond International Limited. Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

DIRECTORS



CHEN Wen Chi
Non-executive Director
Member of Executive Committee

Aged 60, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Chen was appointed as Alternate Director to his wife, Ms. Cher Wang Hsiueh Hong, a former Non-executive Director of the Company, between 13 May 2011 and 3 February 2012. He serves as a member of the Executive Committee and holds directorships in certain subsidiaries of the Group in Taiwan. Mr. Chen is a director of HTC Corp., as well as the chairman of VIA Technologies, Inc., Xander International Corp. and Chander Electronics Corp., all of which are listed on the Taiwan Stock Exchange Corporation. Mr. Chen also holds seats on several industry advisory bodies, and has been a member of the World Economic Forum for over ten years. He holds an MSEE degree from National Taiwan University and an MSCS degree from the California Institute of Technology. Mr. Chen is a director of both Young Lion Holdings Limited and Shaw Brothers Limited, which are shareholders of the Company.



Thomas HUI To
Non-executive Director
Member of Executive Committee

Aged 43, was appointed as a Non-executive Director of the Company on 23 April 2015. He serves as a member of the Executive Committee. Mr. Hui is the managing director of Gravity Corporation, a company which focuses on investing and operating in the media sector in Greater China. Prior to joining Gravity Corporation, Mr. Hui was an independent non-executive director and the chairman of the audit committee and a member of the remuneration committee of KingSoft Corporation Limited, a leading Chinese internet based software developer, distributor and service provider which is listed on the Main Board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor Degree of Science in Electrical Engineering from the University of Wisconsin, Madison. Mr. Hui is a director of 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
Chairman of Nomination Committee
Chairman of Risk Committee
Member of Audit Committee

Aged 66, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. He serves as the chairman of the Remuneration Committee and, the Nomination Committee and the Risk Committee, as well as a member of the 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, Industrial and Commercial Bank of China Limited, and Regina Miracle International (Holdings) Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Or is also a non-executive director and deputy chairman of Aquis Entertainment Limited, a company listed on the Australian Securities Exchange. Dr. Or has rich experiences in insurance, banking and financial services industries. He was formerly the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited, the chairman of HSBC Insurance Limited, the chief executive and vice chairman of Hang Seng Bank Limited, and the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. He was also the chairman of the Hong Kong Association of Banks. Dr. Or graduated from the University of Hong Kong with a Bachelor's degree in Economics and Psychology. He was 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
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Member of Risk Committee

Aged 55, was appointed as an Independent Non-executive Director of the Company on 11 February 2015. Dr. Lo serves as the chairman of the Audit Committee, a member of the Remuneration Committee, and the Nomination Committee and the Risk Committee. Dr. Lo is the vice chairman of Lovable International Holdings Limited which owns one of the largest toys and children products distribution networks in China. Dr. Lo serves as an independent non-executive director of CSI Properties Limited, SITC International Holdings Company Limited, Varitronix International Limited, Jingrui Holdings Limited and Ronshine China Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Lo is also an independent non-executive director of Nam Tai Property Inc. which is listed on the New York Stock Exchange. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He started his career in McKinsey & Company Inc. as a management consultant and held senior positions in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited and South China Media Group in the past. Dr. Lo graduated from Cambridge University with a M.Phil. Degree in Pharmacology and a Ph.D. Degree in Molecular Neuroscience. Dr. Lo is the founding governor of the Charles K. Kao Foundation for Alzheimer's Disease and the ISF Academy as well as the present chairman of Junior Achievement HK.



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

Aged 63, was appointed as an Independent Non-executive Director of the Company on 1 April 2015. She serves as a member of the Risk Committee. Professor Wang is Professor of Business Practice at Business School of The Hong Kong University of Science and Technology. She was appointed as Adjunct Professor at HKUST in 2003 when she was the highest ranked Asian women executive at IBM globally. She had over 25 years of experiences with IBM in the US and across Asia Pacific. Among the various management roles she held while based in the US, Japan, and Greater China, Professor Wang had been Vice President of Marketing as well as Vice President of Business Transformation and Information Technology. Professor Wang was awarded a Master's Degree of Science from Harvard University and a Master's Degree of Arts from University of Wisconsin-Milwaukee.



Dr. Allan ZEMAN GBM, GBS, JP
Independent Non-executive Director

Aged 67, was appointed as Independent Non-executive Director of the Company on 1 April 2015. Dr. Zeman is the chairman of Lan Kwai Fong group in Hong Kong. Dr. Zeman serves as an independent non-executive director of Wynn Macau Limited, Pacific Century Premium Developments Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Zeman was the chairman of Hong Kong Ocean Park from July 2003 to June 2014, he is now the honorary advisor to the Park. Dr. Zeman serves as the board of director of the Alibaba Entrepreneurs Fund, a member of the board of West Kowloon Cultural District Authority, and is the chairman of its Performing Arts Committee. He is also a board member of the Airport Authority of Hong Kong, the appointed member of the Economic Development Commission of Hong Kong, a member of the General Committee of the Hong Kong General Chamber of Commerce, a governor of the board of governors of Our Hong Kong Foundation and a representative of Hong Kong China to the APEC Business Advisory Council (ABAC). Dr. Zeman is also a member of the board of governors of The Canadian Chamber of Commerce in Hong Kong, a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario and the vice patron of the Hong Kong Community Chest. Dr. Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. In 2012, he was awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and The Hong Kong University of Science and Technology.

DIRECTORS



Harvey CHANG Hsiao Wei

Alternate Director to Chen Wen Chi

Aged 64, was appointed as an Alternate Director to Mr. Chen Wei Chi, a Non-executive Director of the Company on 23 April 2015. Between 3 February 2012 and 22 April 2015, Mr. Chang was Alternate Director to Ms. Cher Wang Hsiueh Hong, a former Non-executive Director of the Company. Mr. Chang is the chairman and CEO of Liann Yee Production Co., Ltd. He also holds directorships in certain subsidiaries of the Group in Taiwan. Mr. Chang is a director of Lite-On Technology Corp., which is listed on the Taiwan Stock Exchange Corporation. He was president and CEO of Taiwan Mobile Co., Ltd., a company listed on the Taiwan Stock Exchange Corporation, from 2003 till December 2010, vice chairman of Taiwan Fixed Network Co., Ltd., a subsidiary of Taiwan Mobile Co., Ltd.. He was the chairman of Taiwan Fund, Inc., a listed company on the 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

Aged 35, 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 the 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 both Young Lion Holdings Limited and Shaw Brothers Limited, which are substantial shareholders of the Company.

SENIOR MANAGEMENT



Peter AU Wai Lam

Assistant General Manager

Aged 67, was appointed as Assistant General Manager on 15 September 2009. Mr. Au rejoined the Company as Operation Audit Manager – Internal Audit Department in May 2008. He was appointed as Controller – Costs Management in January 2009 and promoted to his current position in September 2009. Mr. Au is responsible for artistes' recruitment, training and development, and the operations of the Art sub-division and computer graphics department of TVB. He holds directorships in a number of the subsidiaries of the Company. Mr. Au has had 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, including TVB, Radio Television Hong Kong and Canadian Television Network in Canada.



Desmond CHAN Shu Hung
Assistant General Manager

Aged 48, 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 holds directorships in a number of the subsidiaries of the Company. Mr. Chan has had extensive experience in television and telecommunications industries. He worked at Asia Television Limited from 1994 to 1999, and i-Cable Communications Limited from 1999 to 2010. Mr. Chan received Master of Laws degrees from City University of Hong Kong, Renmin University of China and University of Strathclyde of United Kingdom respectively. He is a solicitor of Hong Kong Special Administrative Region (not currently in private practice).



Felix TO Chi Hak
Assistant General Manager

Aged 52, was appointed as Assistant General Manager in October 2015 and is responsible for Programming and Production Divisions. Mr. To served in TVB Network Vision Limited, an associate of the Company, as CEO between 2012 and 2014, and joined TVB as Programme Controller and Assistant to Group CEO in January 2015, and promoted to his current position in October 2015. Mr. To has had extensive experience in the media industry in Hong Kong, ranging from newspapers, publishing, advertising, radio, to pay and free TV. Before joining TVB, he was in various management positions overseeing production and programming in Asia Television Limited between 1996 and 1999; i-Cable Communications Limited between 2002 and 2005; and now TV between 2008 and 2012.



Adrian MAK Yau Kee
Chief Financial Officer and Company Secretary

Aged 55, joined TVB as CFO and Company Secretary in November 2004. Mr. Mak holds directorships in a number of the subsidiaries of the Company. Prior to his current positions, Mr. Mak was CFO of Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, between 2001 and 2003, and CFO of CyberCity Holdings Limited between 2000 and 2001. Between 1992 and 2000, Mr. Mak served as an associate director in the Corporate Finance Division at the Hong Kong Securities and Futures Commission. Between 1983 and 1992, Mr. Mak worked at various offices of KPMG (Hong Kong, London and Birmingham offices). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

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 41 to the consolidated financial statements.

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

RESULTS, APPROPRIATIONS AND DISTRIBUTABLE RESERVES

The results of the Group for the year are set out in the consolidated income statement on pages 88 to 89.

Distributable reserves of the Company amounted to HK\$4,674,441,000 as at 31 December 2015 (2014: HK\$6,181,289,000).

DIVIDENDS

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 of HK\$0.60 per share paid on 6 October 2015, this will give a total of HK\$2.60 per share for the full year ended 31 December 2015. In addition, the Company, based on the disposal of 53% in the shareholding in Liann Yee Group, had paid a special dividend of HK\$2.30 per share on 8 June 2015.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 25 May 2016 ("2016 AGM"), the final dividend shall be paid to shareholders whose names are recorded on the Register of Members of the Company on 1 June 2016. Dividend warrants for the final dividend will be despatched to shareholders on 10 June 2016.

CLOSURE OF REGISTER OF MEMBERS

FIRST BOOK CLOSE

The Register of Members of the Company will be closed from Wednesday, 4 May 2016 to Wednesday, 25 May 2016, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' attendance and voting entitlement at the 2016 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 2016 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, 3 May 2016.

SECOND BOOK CLOSE

The Register of Members of the Company will be re-opened on Thursday, 26 May 2016 and then will be closed again from Tuesday, 31 May 2016 to Wednesday, 1 June 2016, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend.

During the Second Book Close Period, no transfer of shares will be registered. In order to qualify for entitlement to the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 30 May 2016.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$7,366,000.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment purpose are set out below and in Note 7 to the consolidated financial statements.

A whole block of building including 206 car parking spaces located at No. 451 and 453 Ruiguang Road, Neihu District, Taipei City, Taiwan, such building is used as studio and offices, and is freehold.

Properties including level 10, 13, 14, 15, 16 and 2 car parking spaces at basement 2, 4 car parking spaces at basement 3 and 2 car parking spaces at basement 4, No. 23 Section 1 of Bade Road, Zhongzheng District, Taipei City, Taiwan, such properties are used as offices, and are freehold.

SHARE ISSUED IN THE YEAR

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

FIVE-YEAR FINANCIAL REVIEW

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

BUSINESS REVIEW

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

OVERALL

In 2015, TVB celebrated its 48th anniversary as a broadcaster in Hong Kong. TVB has a dominant market share of over 90% in TV broadcasting Hong Kong, and employs 4,062 employees in Hong Kong and an additional 159 employees worldwide.

HONG KONG TV BROADCASTING

In May 2015, TVB's domestic free TV programme service licence ("Free TV Licence") was successfully renewed by the Government for a further period of 12 years, ending in 2027. Under the Free TV Licence, TVB broadcasts five terrestrial TV channels, namely Jade, J2, Pearl, iNews and HD Jade (renamed as J5) (collectively, the "TVB channels") using the allocated digital TV spectrum (using digital TV sets or via set-top boxes), and two terrestrial TV channels, namely, Jade and Pearl using the allocated TV analogue spectrum. The Government has confirmed that the analogue TV spectrum will have to be switched off by 2020, which is deferred from 2015. Since 2007, TVB has made substantial investment to build up the DTT network by constructing a total of 29 signal transmission stations throughout Hong Kong. By September 2013, the DTT network coverage already reached 99 percent of the population, on par with that for analogue services.

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

DIGITAL NEW MEDIA

In order to cater to the changing viewing habits of viewers, TVB commenced development of its digital new media business over 10 years ago. Through technological improvements, TVB is able to deliver increasing amount video content on its website. TVB monetises these content through its website by insertion of advertisement, in static or video format, before and during the programmes.

In recent years, TVB has extended its digital new media business from portal to mobile devices through the use of apps. As at 31 December 2015, TVB operates a total of eight apps, targeting different segment of viewers who are seeking programmes and documentaries; news; entertainment news; finance related news and content. The monetisation of the content is by way of display advertisements, both in static or video format.

Launching in April of 2016, TVB shall start an Internet-connected TV service or OTT service named myTV SUPER. Viewers are able to enjoy through a subscription service a very large quantity of linear channels and programmes on demand. TVB believes that this OTT service, named as the "second" platform after terrestrial TV platform, can become a major viewing platform in the future.

PROGRAMME LICENSING AND DISTRIBUTION

TVB licenses its self-produced channels and programmes to overseas TV broadcasters, including both free and pay operators, in return for licence fees. A number of business models are being used, depending on the markets. In Mainland China where content produced by TVB is regarded as non-Mainland produced, it is subject to the regulations governing imported TV programmes. In other key markets such as Malaysia and Singapore, TVB enters into supply agreements with the local operators supplying a fixed number of hours of programmes and channels in return for a licence fee. During the year, TVB's contracts with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") in Malaysia and StarHub Cable Vision Limited in Singapore continued to take effect. TVB is currently negotiating with MEASAT for a further renewal of the supply agreement which has recently expired. Beyond these key markets, TVB continues to explore the licensing of content to newer markets, including Vietnam and Cambodia, as part of its business to further widen the distribution.

REPORT OF THE DIRECTORS

OVERSEAS PAY TV OPERATIONS

TVB operates its own platforms in a number of key overseas markets, namely North America (USA), Australia and Europe under a subscription model. A number of channels are being compiled by TVB which may be TVB produced or acquired, to form a service pack. Viewers are required to subscribe for such service packs to enjoy the TV content provided by TVB. In recent years, TVB began to utilise the Internet for distribution instead of via satellite services in countries within Europe and in Australia, under a service named TVB Anywhere. However, in recent years, the overseas pay TV operations have been experiencing substantial subscriber churns, owing to the wide availability of unlicensed content, TVB and the like, carried by pirated service operators.

TAIWAN OPERATIONS

TVB had disposed of its operation in Taiwan carried on by Liann Yee Group under the business name of TVBS in two tranches – namely, a disposal of 53% shareholding interest which took place in January 2015 and a disposal of the remaining 47% shareholding interest in January 2016. The first disposal of 53% shareholding interest was completed in May 2015. Upon completion of the second disposal of 47% shareholding interest in March 2016, TVB had disposed of its entire interest in Liann Yee Group. The only business left in Taiwan is the holding of certain property assets in Taipei City, namely a production studio and office block in Neihu District and some ancillary offices on Bade Road in Zhongzheng District which are being accounted for as investment properties. However, TVB shall continue to engage in the licensing of TVB content in Taiwan to channel operators, including Liann Yee Group, in future.

CHANNEL OPERATIONS

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

OTHERS

TVB operates a number of TV related businesses, namely a movie production and distribution business under the name of Shaw Brothers Pictures; music entertainment; and the publication of a weekly magazine named TVB Weekly which is being distributed in Hong Kong to complement the broadcasting business.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

- Terrestrial TV, as in many countries worldwide, is experiencing gradual decline in viewership, as many are opting for non-terrestrial TV platforms, such as the Internet and mobile services, mainly because these platforms provide viewers with more channel choices, a much wider selection of programmes, and most importantly, a capability to deliver programmes on demand. If this technological threat is not properly addressed by the Group, this threat will present a significant negative impact on TVB undermining the future financial performance. TVB regards this business risk as the top risk, if not properly addressed. To mitigate this, TVB will be launching a “second” platform for TV viewers in Hong Kong, and a new Internet connected or OTT service called myTV SUPER in April 2016. TVB is partnering with major Internet service providers in Hong Kong, including Hutchison Telecommunications and Hong Kong Broadband in its roll out of this service. Further, this platform will be complemented by the so-called “third” platform, comprising of the portal www.tvb.com and a range of mobile apps catering to the needs of viewers on the move.
- TVB recognises that the quality of drama programmes is of critical importance for the retention of viewers. Main factor attributing to the decline in quality experienced in the past is the loss of experienced scriptwriters to other studios in Mainland China and Taiwan. As a result, the average television ratings for TVB drama serials have been showing some decline. To rectify the problem, management has strengthened the supporting resources to build a more sustainable production pipeline. Management has also appointed a new experienced manager to take overall responsibility over production.

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

On 4 January 2016, TVB had entered into a transaction to dispose of its remaining 47% interest in Liann Yee Group (Taiwan Operations). The transaction was completed in March 2016. The Group ceased to hold any interest in Liann Yee Group, but continues to hold certain property assets. The two disposals in 2015 and 2016 have allowed the Group to unlock all the value of its investments in Taiwan (except for the property assets), and to focus and devote its financial and management resources and strengthen its presence in Hong Kong, Mainland China and other potential markets. This is in line with the long term goal to focus on developing its core businesses in Hong Kong, and to capture the vast growth opportunities in Mainland China and the digital new media space.

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

During the year, TVB had decided to terminate an expansion plan to construct production studios and related facilities in Hong Kong which is within close proximity to TVB City. After further assessment of the market environment in Hong Kong, TVB had decided that it would be in the interest of the Company and its shareholders to terminate this construction, owing to a change in the focus of its strategic plan from a Hong Kong based business to a more Mainland China based business and development in the digital new media space.

KEY FINANCIAL PERFORMANCE INDICATORS

- For the year, the Group's gross profit percentage had decreased from 59% to 55%, a decrease of 4%, and its operating profit percentage had decreased from 32% to 20%, a decrease of 12%, mainly owing to the lower contribution from the Hong Kong TV broadcasting business.
- At 31 December 2015, the Group enjoyed a strong net cash position, with one outstanding bank loan of NT\$1 billion in Taiwan and no other borrowings in the rest of the Group. The gearing ratio (calculated on the basis of total borrowings over total equity) as at 31 December 2015 was 3.0% (31 December 2014: 4.5%).

DIVIDEND POLICY

The Board supports a policy to provide a steady dividend return to shareholders. At the current level of dividend payment of HK\$2.60 per share, the Board is supportive to continue with this level of payment for maintaining a steady dividend policy in the foreseeable future.

THE COMPANY'S ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

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

THE COMPANY'S KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

DIRECTORS

The Directors of the Company during 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 of the Board on 1 January 2015)
Mona Fong
Jonathan Milton Nelson
Anthony Lee Hsien Pin
Chen Wen Chi
Thomas Hui To (appointed on 23 April 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Or Ching Fai
William Lo Wing Yan (appointed on 11 February 2015)
Caroline Wang Chia-Ling (appointed on 1 April 2015)
Allan Zeman (appointed on 1 April 2015)

ALTERNATE DIRECTORS

Harvey Chang Hsiao Wei
Alternate Director to Chen Wen Chi (with effect from 23 April 2015*)
Jessica Huang Pouleur
Alternate Director to Jonathan Milton Nelson

* Mr. Harvey Chang Hsiao Wei ceased as Alternate Director to Ms. Cher Wang Hsiueh Hong on 23 April 2015.

REPORT OF THE DIRECTORS

RESIGNED DIRECTORS

Chow Yei Ching (resigned on 1 March 2015)

Cher Wang Hsiueh Hong (resigned on 23 April 2015)

Allan Yap (resigned as an Alternate Director to Dr. Charles Chan Kwok Keung on 29 December 2015)

The Company had received the resignation letters from the respective Resigned Directors confirming that they had no disagreement with the Board and there was nothing relating to the affairs of the Company which needed the attention of the shareholders and that their resignations were due to increasingly heavy commitments to their other businesses.

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

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

Mr. Cheong Shin Keong, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling, Dr. Allan Zeman and Mr. Thomas Hui To, who were appointed by the Board as Directors of the Company in 2015 and held offices as Directors of the Company until the Company's annual general meeting held in May 2015 ("2015 AGM"), were successfully elected at the 2015 AGM. Ms. Mona Fong,

Mr. Anthony Lee Hsien Pin, and Mr. Chen Wen Chi, who retired at the 2015 AGM, were successfully re-elected as Directors at the 2015 AGM.

In accordance with Article 117(A) of the Articles, Dr. Raymond Or Ching Fai and Mr. Mark Lee Po On will retire at the 2016 AGM and, being eligible, offer themselves for re-election at the 2016 AGM. Dr. Raymond Or Ching Fai and Mr. Mark Lee Po On who will retire at the 2016 AGM, have forwarded written notifications offering themselves for re-election at the 2016 AGM.

Details of the Directors, who are subject to retirement for re-election at the 2016 AGM, are set out in the notice of the 2016 AGM which is sent together with this Annual Report to the shareholders of the Company.

DIRECTORS OF THE SUBSIDIARIES

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

DIRECTORS' SERVICES CONTRACTS

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

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.

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

At 31 December 2015, the interests and short positions of the Directors and chief executive in the shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the 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					Percentage of issued share capital (%) ^(a)
	Personal interests	Family interests	Corporate interests	Other Interests	Total interests	
Charles Chan Kwok Keung	–	–	113,888,628	–	113,888,628 ^{#(b)(f)}	26.00
Jonathan Milton Nelson	–	–	–	113,888,628	113,888,628 ^{#(c)(f)}	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 ^{#(d)(f)}	26.00
Mona Fong	1,146,000	–	15,950,200 ^(e)	–	17,096,200 ^(f)	3.90
Mark Lee Po On	–	438,000	–	–	438,000 ^(f)	0.10

Notes:

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

- The nature of the “corporate interests” and “other interests” are provided in the notes below here and below under the sub-heading of “Other Persons’ Interests in the Shares of the Company”.
- “Other interests” including any “trusts and similar interests” and “persons acting in concert” as disclosed in the notes below here and below under the sub-heading of “Other Persons’ Interests in the Shares of the Company”.

At 31 December 2015:

- Shareholding percentage in the issued share capital was based on the 438,000,000 ordinary shares of the Company in issue.
- 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”).
- 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.
- 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 Investment Limited (“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.
- 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.
- 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 2015:

- 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.
- 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.
- 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.
- The interests held by Ms. Mona Fong represented long positions.

Save for the information disclosed above, at no time during the year, the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be disclosed pursuant to the SFO, the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Companies Ordinance”).

The Company and any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations did not operate any employee share option scheme, and therefore, at no time during the year was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and Chief Executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

REPORT OF THE DIRECTORS

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2015, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Number of ordinary shares held	Percentage of issued share capital (%) ^(a)
Shaw Brothers Limited ^(b)	113,888,628 ^{#(c)(g)(i)}	26.00
Young Lion Acquisition Co. Limited	113,888,628 ^{#(c)(g)(i)}	26.00
Young Lion Holdings Limited	113,888,628 ^{#(c)(g)(i)}	26.00
Innovative View Holdings Limited	113,888,628 ^{#(c)(g)(i)}	26.00
Li Rui Gang	113,888,628 ^{#(d)(i)}	26.00
CMC M&E Holdings Ltd.	113,888,628 ^{#(d)(i)}	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 ^{#(d)(g)(i)}	26.00
Wang Hsiueh-Hong	113,888,628 ^{#(e)(i)}	26.00
Kun Chang Investment Co. Ltd.	113,888,628 ^{#(e)(i)}	26.00
Profit Global Investment Limited	113,888,628 ^{#(e)(g)(i)}	26.00
Providence Holdco (International) GP Ltd.	113,888,628 ^{#(f)(i)}	26.00
Providence Fund Holdco (International) L.P.	113,888,628 ^{#(f)(i)}	26.00
PEP VI International Ltd.	113,888,628 ^{#(f)(i)}	26.00
Providence Equity GP VI International L.P.	113,888,628 ^{#(f)(i)}	26.00
Providence Equity Partners VI International L.P.	113,888,628 ^{#(f)(i)}	26.00
P6 YL Holdings Limited	113,888,628 ^{#(f)(g)(i)}	26.00
Silchester International Investors LLP	48,264,300 ^{(h)(i)}	11.02
Dodge & Cox	40,163,800 ^{(h)(i)}	9.17

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 2015:

- (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. YLH is controlled by Dr. Charles Chan Kwok Keung ("Dr. Chan", the Chairman of the Board of the Company) with Mr. Li Rui Gang ("Mr. Li"), Ms. Cher Wang Hsiueh Hong ("Ms. Wang") and Providence Equity Partners L.L.C. (in which Mr. Jonathan Milton Nelson ("Mr. Nelson"), a Non-executive Directors of the Company, is the chief executive officer and founder) as the other three members.
- (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 a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which is in turn a wholly-owned subsidiary of YLH, which is controlled by Dr. Chan, through IVH.
- (d) Mr. Li was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through the interest of CMC M&E Acquisition Co. Ltd. ("CMC Acquisition") in YLH. CMC Acquisition is a wholly-owned subsidiary of CMC M&E Holdings Limited, which is controlled by Mr. Li.
- (e) Ms. Wang was deemed to be interested in the 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. 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. Wang.
- (f) 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. Nelson, a Non-executive Director of the Company, holds controlling interests in P6YL through Providence Holdco (International) GP Ltd. and its subsidiaries as abovementioned.
- (g) Dr. Chan, IVH, CMC Acquisition, Profit Global, P6YL, YLH, YLA and Shaw Brothers are the parties of an agreement ("Agreement") to hold the interest in the 113,888,628 shares in the Company. The Agreement is an agreement to which Section 317 of the SFO applies.
- (h) Interests were held in the capacity of investment managers.
- (i) The interests held by these persons represented long positions.

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 2015 were HK\$3,176,000.
- (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 2015 were HK\$3,811,000.

- (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 2015 were HK\$2,160,000.
 - (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 2015 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 2015 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 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 the Company during 2015 was HK\$35,000*.
 - (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 2015 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.

REPORT OF THE DIRECTORS

2. 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 2015 was HK\$891,000.
- (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 2015 was nil.

All of the Independent Non-executive Directors of the Company having reviewed the transactions described in paragraphs 1 and 2 above, hereby confirm for the purpose of including our confirmation in the Company's annual report and accounts for the year ended 31 December 2015, 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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 59 to 60 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:

3. Transactions with MEASAT

On 13 June 2013, TVBI Company Limited, a wholly-owned subsidiary of the Company, entered into certain agreements with MEASAT to renew the arrangements under the agreements entered on 13 December 2010 for a term not exceeding three years ("New MEASAT Agreements"). As at the date of the New MEASAT Agreements, MEASAT was an associate of the substantial shareholder of three of the Company's non wholly-owned subsidiaries, and the aggregate value of these non wholly-owned subsidiaries' total assets, profits and revenue represented less than 5% under the relevant percentage ratios (as defined in the Listing Rules) for the financial year ended 31 December 2015, the transactions contemplated under the New MEASAT Agreements were exempt from all the applicable requirements under Chapter 14A of the Listing Rules pursuant to Rules 14A.09(1) and (2) of the Listing Rules.

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

PERMITTED INDEMNITY

According to the Articles, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them shall or may incur or sustain in the execution of their duties or in relation thereto. The Company has arranged directors' liability insurance, to insure against any losses and liabilities incurred by Directors of the Company in their capacity as such.

MANAGEMENT CONTRACTS

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

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 25 to the consolidated financial statements on page 139 of this Annual Report.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

As at 31 December 2015, the Group had provided financial assistance to certain affiliated companies amounted to HK\$1,416 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 2015 were set out as follows:

	Proforma combined HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	100,198	90,144
Current assets	219,060	166,379
Current liabilities	(833,082)	(697,223)
Net current assets	(614,022)	(530,844)
Total assets less current liabilities	(513,824)	(440,700)
Non-current liabilities	(695,718)	(624,840)
Less: unrecognised share of losses	-	26,868
Net liabilities	(1,209,542)	(1,038,672)

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 71 to 79.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 63 to 83 of this Annual Report.

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

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

SUFFICIENCY OF 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 23 March 2016, there were 365 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the 2016 AGM.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 23 March 2016

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 a responsible manner serves its long-term interests and those of the shareholders.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was in compliance with the code provisions of the CG Code during the year, save for A.6.7 of the CG Code that a Non-executive Director was not able to attend the 2015 AGM due to a prior engagement.

DIRECTORS’ SECURITIES TRANSACTIONS

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

The Company has adopted the Model Code, as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance. Specifically, resigned Directors and alternate Director, namely Dr. Chow Yei Ching, Ms. Cher Wang Hsiueh Hong and Dr. Allan Yap, have confirmed that they had complied with the Model Code from 1 January 2015 to their respective dates of resignation. New Independent Non-executive Directors appointed during the year, namely Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling and Dr. Allan Zeman, and a new Non-executive Director appointed during the year, Mr. Thomas Hui To, have confirmed that they had complied with the Model Code from their respective dates of appointment to 31 December 2015. Further, Mr. Felix To Chi Hak who was appointed as a member of Senior Management during the year has confirmed that he had complied with the Model Code from his date of appointment to 31 December 2015.

BOARD OF DIRECTORS AND ITS COMMITTEES

BOARD OF DIRECTORS

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

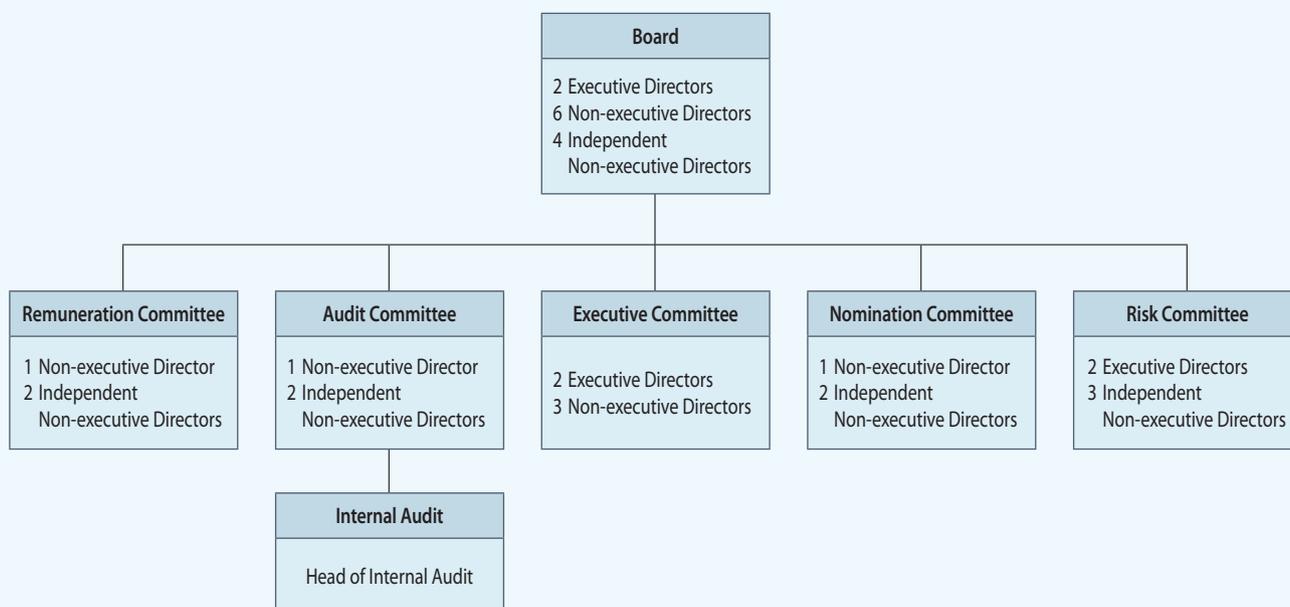
The Board is the highest governing body of the Company and is supported by five Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee.

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

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD AND ITS COMMITTEES

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



The composition of Board comprises a combination of Executive Directors and Non-executive Directors (including the Independent Non-executive Directors) which together gives the Board a balance of skills and experience appropriate for the requirements of the Company's business. The appointment of Non-executive Directors enables that there is an independent element at Board level, which enables the effective exercise of

independent judgement, and ensures that their views carry sufficient weight at meetings.

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

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 1 January 2015, Dr. Charles Chan, a Non-executive Director of the Company, was appointed as the Chairman of the Board and the chairman of the Executive Committee. Mr. Cheong Shin Keong was appointed as an Executive Director of the Company and a member of the Executive Committee on the same day.
- On 11 February 2015, Dr. William Lo 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. Further, Dr. Charles Chan was appointed as a member of the Remuneration Committee on the same day.
- On 1 March 2015, Dr. Chow Yei Ching resigned as an Independent Non-executive Director of the Company and ceased to act as the chairman of the Nomination Committee. Dr. Raymond Or was appointed as the chairman of the Nomination Committee on the same day.
- On 1 April 2015, Professor Caroline Wang and Dr. Allan Zeman were appointed as Independent Non-executive Directors of the Company.
- On 23 April 2015, Ms. Cher Wang (“Ms. Wang”) resigned as a Non-executive Director of the Company and Mr. Thomas Hui was appointed as a Non-executive Director of the Company. Following

the resignation of Ms. Wang, Mr. Harvey Chang (“Mr. Chang”) ceased to act as Alternate Director to Ms. Wang. On the same day, Mr. Chang was appointed as Alternate Director to Mr. Chen Wen Chi, a Non-executive Director of the Company.

- On 20 May 2015, each of Mr. Cheong Shin Keong, Dr. William Lo, Professor Caroline Wang, Dr. Allan Zeman and Mr. Thomas Hui, who held offices as Directors of the Company until the 2015 AGM, were successfully elected at that AGM. Ms. Mona Fong, Mr. Anthony Lee, and Mr. Chen Wen Chi, who retired at the 2015 AGM, were successfully re-elected as Directors at that AGM. Mr. Thomas Hui was appointed as a member of the Executive Committee on the same day.
- On 17 July 2015, Ms. Mona Fong resigned as a member of the Executive Committee.
- On 19 August 2015, the Risk Committee of the Board was established. Dr. Raymond Or, Dr. William Lo and Professor Caroline Wang, all Independent Non-executive Directors of the Company, and Mr. Mark Lee and Mr. Cheong Shin Keong, both Executive Directors of the Company, were appointed as members. Dr. Raymond Or was appointed as the chairman of the Risk Committee.
- On 29 December 2015, Dr. Allan Yap resigned as Alternate Director to Dr. Charles Chan, the Chairman and a Non-executive Director of the Company.
- On 23 March 2016, the Board resolved the appointment of Professor Caroline Wang as a member of the Audit Committee and Dr Allan Zeman as a member of the Nomination Committee, both with effect on 1 April 2016.

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



CORPORATE GOVERNANCE REPORT

Summarising, the memberships of the Board and its Committees are as follows:

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

n/a: not applicable

ATTENDANCE RECORDS OF DIRECTORS AT BOARD, COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING

The attendance¹ records of Directors at the Board and its Committees' meetings and annual general meeting in 2015 are set out below:

Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meetings	Risk Committee meeting	2015 AGM
Charles Chan Kwok Keung	6/6	6/6	–	0/1	–	–	1/1
Mark Lee Po On	6/6	6/6	–	–	–	1/1	1/1
Cheong Shin Keong (appointed on 1 January 2015)	6/6	6/6	–	–	–	1/1	1/1
Mona Fong	5/6	3/6 ²	–	–	–	–	1/1
Jonathan Milton Nelson	1/6 ³	–	–	–	–	–	0/1
Anthony Lee Hsien Pin	6/6	–	3/3	–	2/2	–	1/1
Chen Wen Chi	6/6	6/6	–	–	–	–	1/1
Thomas Hui To ⁴ (appointed on 23 April 2015)	4/6	2/6	–	–	–	–	1/1
Raymond Or Ching Fai	5/6	–	3/3	1/1	2/2	1/1	1/1
William Lo Wing Yan ⁵ (appointed on 11 February 2015)	5/6	–	3/3	1/1	2/2	1/1	1/1
Caroline Wang Chia-Ling ⁶ (appointed on 1 April 2015)	4/6	–	–	–	–	1/1	1/1
Allan Zeman ⁷ (appointed on 1 April 2015)	4/6	–	–	–	–	–	1/1

Alternate Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meetings	Risk Committee meeting	2015 AGM
Harvey Chang Hsiao Wei (appointed as Alternate Director to Chen Wen Chi on 23 April 2015)	–	–	–	–	–	–	–
Jessica Huang Pouleur Alternate Director to Jonathan Milton Nelson	5/6 ³	–	–	–	–	–	–

Resigned Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meetings	Risk Committee meeting	2015 AGM
Chow Yei Ching ⁸ (resigned on 1 March 2015)	1/6	–	–	–	0/2	–	–
Cher Wang Hsiueh Hong (resigned on 23 April 2015)	0/6 ⁹	–	–	–	–	–	–
Harvey Chang Hsiao Wei (resigned as Alternate Director to Cher Wang Hsiueh Hong on 23 April 2015)	2/6 ⁹	–	–	–	–	–	–
Allan Yap (resigned as Alternate Director to Charles Chan Kwok Keung on 29 December 2015)	–	–	–	–	–	–	–

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 Ms. Mona Fong resigned as a member of the Executive Committee on 17 July 2015. Four Executive Committee meetings were held during 1 January 2015 and 16 July 2015, before the resignation as a member of the Executive Committee of Ms. Fong.
- 3 Six Board meetings were held for 2015, one of which was attended by Mr. Jonathan Milton Nelson in person and another five were attended by Mr. Nelson's alternate director.
- 4 Mr. Thomas Hui To was appointed as a Non-executive Director of the Company on 23 April 2015 and appointed as a member of the Executive Committee on 20 May 2015. Four Board meetings were held during 23 April 2015 and 31 December 2015, following the appointment of Mr. Hui as a Non-executive Director of the Company. Two Executive Committee meetings were held during 20 May 2015 (his appointment has been made after the meeting of the Executive Committee meeting on 20 May 2015) and 31 December 2015, following the appointment of Mr. Hui as a member of the Executive Committee.
- 5 Dr. William Lo Wing Yan was appointed as an Independent Non-executive Director of the Company on 11 February 2015. Five Board meetings were held during 11 February 2015 and 31 December 2015, following the appointment of Dr. Lo as an Independent Non-executive Director of the Company.
- 6 Professor Caroline Wang Chia-Ling was appointed as an Independent Non-executive Director of the Company on 1 April 2015. Four Board meetings were held during 1 April 2015 and 31 December 2015, following the appointment of Professor Wang as an Independent Non-executive Director of the Company.
- 7 Dr. Allan Zeman was appointed as an Independent Non-executive Director of the Company on 1 April 2015. Four Board meetings were held during 1 April 2015 and 31 December 2015, following the appointment of Dr. Zeman as an Independent Non-executive Director of the Company.
- 8 Dr. Chow Yei Ching resigned as a Non-executive Director of the Company on 1 March 2015 and he also ceased to act as the chairman of the Nomination Committee on the same day. One Board meeting was held during 1 January 2015 and 28 February 2015, and no Nomination Committee meeting was held before the resignation of Dr. Chow.
- 9 Ms. Cher Wang Hsiueh Hong resigned as a Non-executive Director of the Company on 23 April 2015. Two Board meetings were held during 1 January 2015 and 22 April 2015, before the resignation of Ms. Wang. These two Board meetings were attended by Ms. Wang's alternate director.

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 information to Directors in a timely manner to keep them apprised of the Company's latest development, performance, position and prospects. In addition, Directors have independent access to members of Senior Management in respect of operational issues.

In order to keep Directors abreast of the latest developments, the Company organises relevant training sessions to Directors from time-to-time on

recent developments in rules and regulations, and other relevant topics. In August 2015, the Company tailor-made a training session on a number of topics, covering the Competition Ordinance; key changes to the Listing Rules in relation to risk management and internal controls; and key provisions of the Broadcasting Ordinance, especially the provisions in relation to Disqualified Persons. In addition, each Director was asked to provide to the Company a complete record of trainings he/she received from other sources during the year for record purposes.

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

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

- significant changes in accounting policies or capital structure;
- issuance of financial statements and public announcements;
- major acquisitions, disposals and major capital projects;
- material borrowings and any issuing, or buying back, of equity securities;
- the remuneration policy;
- the annual group budget;
- the dividend policy; and
- the treasury policy.

During 2015, the Chairman of the Board, as required under the Listing Rules, held a meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors to discuss issues relevant to the Board.

All Directors (including the former Directors resigned during the year 2015 under the sub-heading of “Composition of the Board and its Committees” in this CG Report), have confirmed, following enquiry by the Chairman of the Board, that they had spent sufficient time in the affairs of the Company during 2015, and the Chairman is of the view that the Board is working effectively and is performing its duties.

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

BOARD MEETINGS

The Board normally holds four regular meetings every year, and can hold additional meetings at such other times if considered necessary. During the year, a total of six Board meetings were held.

The attendance records of Directors at the Board and its Committee meetings in 2015 are set out in the table on page 67 of this CG Report.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board holds meetings in person on scheduled dates which are communicated to Directors one year in advance. Notices 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 the opportunities to propose agenda items for consideration at meetings. The Board is provided with adequate and timely information about the Company’s business and developments before each meeting at which Directors can actively participate and hold informed discussions. All Directors are sent draft minutes of the previous meeting and asked to comment as appropriate within a reasonable time after the meetings to ensure that the minutes accurately reflect the discussions which took place and the decisions reached.

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

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

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.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTOR AND THEIR INDEPENDENCE

During the year, the Company announced the appointment of Dr. William Lo, Professor Caroline Wang and Dr. Allan Zeman as Independent Non-executive Directors of the Company, following the retirement and resignation of certain former Independent Non-executive Directors in 2014 and 2015. Upon the said appointments, the total of four Independent Non-executive Directors namely, Dr. Raymond Or, Dr. William Lo, Professor Caroline Wang and Dr. Allan Zeman have been appointed 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 and represents one-third of the composition of the Board of Directors, as prescribed under Rule 3.10A of the Listing Rules. It is considered that most of the Independent Non-executive Directors possesses related financial management expertise.

Each of the Independent Non-executive Director of the Company and Dr. Chow Yei Ching (a former Independent Non-executive Director of the Company who resigned on 1 March 2015) has given the Company a confirmation of his/her independence for 2015. The Nomination Committee of the Board has reviewed, by reference to the guidelines set out in Rule 3.13 of the Listing Rules the independence of these Directors, and considered that they are independent.

During the year, the Independent Non-executive Directors of the Company provide an independent view to the Board as opposed to the Non-executive Directors and the Executive Directors. The Independent Non-executive Directors of the Company carried out a review of connected transactions of the Company.

RELATIONSHIPS BETWEEN DIRECTORS

The Directors have no relationship (including financial, business, family or other material/relevant relationships) among themselves, and between the Chairman and the Group Chief Executive Officer, save for the fact that Dr. Charles Chan and Mr. Jonathan Nelson (as the CEO of Providence), together with other parties, are indirect shareholders of Shaw Brothers which holds 26% of the share interest of the Company.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

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

The Company 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, Model Code 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 are provided to the Directors. The Company offers formal induction training to Directors upon their appointment.

Mr. Cheong Shin Keong, Dr. William Lo, Professor Caroline Wang, Dr. Allan Zeman and Mr. Thomas Hui, who were appointed by the Board as Directors in 2015 and held offices as Directors of the Company until the 2015 AGM, were successfully elected at the 2015 AGM. Ms. Mona Fong, Mr. Anthony Lee, and Mr. Chen Wen Chi, who retired at the 2015 AGM, were successfully re-elected as Directors at the 2015 AGM.

In accordance with Article 117(A) of the Articles, Dr. Raymond Or and Mr. Mark Lee will retire at the 2016 AGM and, being eligible, offer themselves for re-election at the 2016 AGM. Dr. Raymond Or and Mr. Mark Lee, who will retire at the 2016 AGM, have forwarded written notifications offering themselves for re-election at the 2016 AGM.

Details of the Directors, who are subject to retirement for re-election at the 2016 AGM, as required under the Listing Rules, are set out in the notice of the 2016 AGM which is sent together with this Annual Report to the shareholders of the Company.

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

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

Dr. Charles Chan, a Non-executive Director of the Company, was appointed as the Chairman of the Board on 1 January 2015. Dr. Chan 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, 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 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.

THE BOARD COMMITTEES

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

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

Major roles and functions, composition and operating mode of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk 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 and its membership is set out in the table on page 66 of this CG Report.

EXECUTIVE COMMITTEE MEETINGS

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

During 2015, the Executive Committee held six 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.

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 is tasked with 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, risk management and internal control systems:

- to review the Company's financial controls and risk management and internal control;
- to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- to consider major investigation findings on risk management and 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 OF AUDIT COMMITTEE

The Audit Committee has three members, the majority of whom are Independent Non-executive Directors of the Company and is chaired by an Independent Non-executive Director. Members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise. Therefore, the Company complies with the requirement under Rule 3.21 of the Listing Rules.

AUDIT 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 2015, the Audit Committee held three 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 2015, 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 PricewaterhouseCoopers, the external auditor of the Company, in the absence of management, to discuss matters relating to its audit. The reporting responsibilities of PricewaterhouseCoopers, are set out in the Independent Auditor's Report on page 85 of this Annual Report.

WHISTLEBLOWING POLICY

A 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.

CORPORATE GOVERNANCE REPORT

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

RESPONSIBILITY

The Board has overall responsibility for the Group's risk management and internal control systems. It is committed to maintaining a sound and effective risk management and internal control systems 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.

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 risk management and internal control systems, as well as protecting the Group's assets and shareholders' interests.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's risk management and internal control systems for the year, 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 non-audit services have been reviewed and approved by the Audit Committee and endorsed by the Board. The fees for audit and non-audit services charged to the consolidated income statement of the Group are set out as follows:

Fees for audit services

	2015 HK\$'000	2014 HK\$'000
Company (Note 1)	4,587	8,766
Subsidiaries	2,673	2,825
Total	7,260	11,591
Fees payable to PricewaterhouseCoopers, the principal auditor	6,536	10,875

Fees for non-audit services

	2015 HK\$'000	2014 HK\$'000
Company	292	3,606
Subsidiaries (Note 2)	2,510	2,925
Total	2,802	6,531
Fees payable to PricewaterhouseCoopers, the principal auditor	2,378	6,085

Notes:

- 1 The amount included other audit related services of HK\$2,800,000 paid to PricewaterhouseCoopers in Hong Kong during the year.
- 2 Non-audit services rendered to the Company's subsidiaries by PricewaterhouseCoopers during 2015 mainly comprised professional tax consulting services. Such services were provided by the tax departments of PricewaterhouseCoopers in Hong Kong, which are separate from the team responsible for the Group's audit.

The Audit Committee had reviewed the non-audit services rendered by PricewaterhouseCoopers, the principal auditor, during 2015 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

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;

CORPORATE GOVERNANCE REPORT

- 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, and its membership is set out in the table on page 66.

REMUNERATION 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 2015, the Remuneration Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed and approved the discretionary bonus pool to members of Senior Management and senior executives for 2015;
- reviewed and approved the specific discretionary bonus to members of Senior Management for 2015;
- approved the salary increments to members of Senior Management for 2016;
- approved the remuneration package of the service contract of the Group Chief Executive Officer from February 2016 to January 2019; and
- reviewed the fee levels for Chairman, Directors and the Board Committees.

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

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 Chairman of the Board who is a Non-executive Director is remunerated by a fixed Chairman's fee. Such a fee had been approved by the shareholders of the Company at the 2015 AGM.

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.

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 2015 are set out below:

Individual director serving	Annual fees for 2015 HK\$
Board of Directors	
Chairman of the Board	286,000
Executive and Non-executive Directors	220,000
Executive Committee	
Chairman	195,000
Members (who is not an Executive Director)	150,000
Audit Committee	
Chairman	170,000
Members	120,000
Remuneration Committee	
Chairman	70,000
Members	55,000
Nomination Committee	
Chairman	70,000
Members	55,000
Risk Committee	
Chairman	70,000
Members (who is not an Executive Director)	55,000

REMUNERATION OF SENIOR MANAGEMENT

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

NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and for determining the policy for nomination of Directors, the nomination procedures and the process and criteria adopted by the 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 and its membership is set out in the table on page 66.

NOMINATION COMMITTEE MEETINGS

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

During 2015, the Nomination Committee held two meetings 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 2015 AGM; and
- reviewed the background and nominated the appointment of Directors of the Company.

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.

CORPORATE GOVERNANCE REPORT

REVIEW OF THE BOARD COMPOSITION

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

- The Board should have a balance of skills, and experience and diversity of perspectives appropriate to the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number 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 in this CG Report on page 81 and is available on the Company's website.

RISK COMMITTEE

The Risk Committee was established on 19 August 2015. It is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, and in ensuring that the Company establishes and maintains sound appropriate and effective risk management and internal controls systems.

MAJOR ROLES AND FUNCTIONS

The Risk Committee shall undertake the following duties:

- to consider the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- to consider the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of the Company's internal audit function and other assurance providers;
- to consider the extent and frequency of communication of monitoring results to the Board (or Board Committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;
- to consider significant control failings or weaknesses that have been identified during the period of review and also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- to consider the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance.

COMPOSITION

The Risk Committee comprises five members, the majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 66.

COMMITTEE MEETING

The Risk Committee normally meets at least twice a year. Additional meetings may be held as the work of the Risk Committee demands. During 2015, the Risk Committee held its first meeting in November 2015 to discuss the key risks of the Group as identified by management.

COMPANY SECRETARY

Mr. Adrian Mak holds the position of Company Secretary of the Company. He also serves as the CFO of the Company. Mr. Mak's biographical information can be found on page 51 of the annual report. Mr. Mak has confirmed that he has undertaken sufficient training, as required under Rule 3.29 of the Listing Rules, during the year.

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

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

The chairman of a general meeting shall ensure that an explanation is provided on 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 website of Company, in accordance with the requirements under the Listing Rules.

Separate resolutions are proposed for each substantially separate issue and are voted by poll at the general meetings.

The chairman of the Board shall attend the annual general meeting and shall invite the chairman of the Board Committees to attend and they should be available to answer questions at the meeting. Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Management of the Company shall ensure the external auditor attends the annual general meeting to answer the questions about the audit.

CORPORATE GOVERNANCE REPORT

RELATIONSHIPS WITH SHAREHOLDERS

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

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

The Company has designated key officers to provide a two-way communication between management and the investment community to update investors on business strategies and developments, as well as to collect market feedback and opinion. Such communication would include meetings and conference calls. Officers of the Company also participate in investor meetings, both in Hong Kong and abroad, organised by investment banks, to further strengthen the market's understanding of the Company's businesses.

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

SHAREHOLDERS' RIGHTS

CONVENING GENERAL MEETING AND MAKING PROPOSALS AT SHAREHOLDERS MEETING

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

1. Shareholders holding at least 5% of the total voting rights of all the members having a right to vote at general meetings can send a written request to convene an EGM to the Company Secretary.
2. The written request must state the objects of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, no EGM will be convened as requested.
4. The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM varies according to the nature of the proposal, as follows:
 - 14 days' notice in writing if the proposal constitutes an ordinary resolution or a special resolution of the Company.
 - 28 days' notice in writing if the proposal requires the serving of a special notice under the Companies Ordinance.

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

ENQUIRY

SHAREHOLDERS' COMMUNICATION POLICY AND COMMUNICATION CHANNELS

Shareholders' Communication Policy

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

The Board reviews the Shareholders' Communication Policy on a regular basis to ensure its effectiveness and that it meets the best market practice. Full text of the Shareholders' Communication Policy is set out in this CG Report on pages 82 to 83, and is available on the Company's website.

On behalf of the Board

Charles Chan Kwok Keung
Chairman

Hong Kong, 23 March 2016

TELEVISION BROADCASTS LIMITED
("Company")
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.

CORPORATE GOVERNANCE REPORT

TELEVISION BROADCASTS LIMITED ("Company") 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 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

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

	2015 HK\$'mil	2014 HK\$'mil (Restated) Note 1	2013 HK\$'mil	2012 HK\$'mil (Restated) Note 2	2011 HK\$'mil (Restated) Note 2
Revenue	4,455	4,912	5,686	5,448	5,209
Profit before income tax	126	1,482	2,120	2,141	2,099
Income tax expense	144	221	358	403	538
Profit attributable to equity holders of the Company	1,331	1,410	1,738	1,732	1,557
Earnings per share	HK\$3.04	HK\$3.22	HK\$3.97	HK\$3.95	HK\$3.56
Property, plant and equipment	1,687	3,068	3,105	2,814	2,352
Investment properties	684	10	13	13	12
Land use rights	60	66	70	71	56
Intangible assets	27	116	172	176	171
Interests in joint ventures	30	45	13	16	16
Interests in associates	–	531	600	649	529
Available-for-sale financial assets	47	–	–	–	–
Loan and receivables	143	–	–	–	–
Other non-current assets	93	64	28	29	52
Current assets	6,342	6,657	6,300	5,965	5,656
Current liabilities	(720)	(1,343)	(1,642)	(1,496)	(1,359)
	8,393	9,214	8,659	8,237	7,485
Share capital	664	664	22	22	22
Reserves	7,016	7,861	8,293	7,723	6,996
Shareholders' funds	7,680	8,525	8,315	7,745	7,018
Non-controlling interests	156	179	112	86	30
Non-current liabilities	557	510	232	406	437
	8,393	9,214	8,659	8,237	7,485

Notes:

- 1 The financial results for Liann Yee Group were presented as discontinued operations and the comparative figures for 2014 have been restated accordingly. The financial results prior to 2014 have not been restated.
- 2 The figures for the years 2011 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 MEMBERS 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 set out on pages 86 to 159, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,687,364	3,068,165
Investment properties	7	684,309	10,202
Land use rights	8	59,948	66,378
Intangible assets	9	26,976	115,643
Interests in joint ventures	10	29,633	44,909
Interests in associates	11	–	530,786
Available-for-sale financial assets	12	47,436	3
Deferred income tax assets	22	37,299	23,529
Loan and receivables	13	142,505	–
Prepayments	15	55,529	39,893
Total non-current assets		2,770,999	3,899,508
Current assets			
Programmes, film rights and movies		739,655	761,863
Stocks	14	12,449	10,674
Trade and other receivables, prepayments and deposits	15	1,866,517	2,538,940
Tax recoverable		19,642	5,074
Restricted cash	16	1,825	9,039
Bank deposits maturing after three months	17	691,387	135,676
Cash and cash equivalents	17	2,125,975	3,195,869
Non-current asset held for sale	30(a)	884,854	–
Total current assets		6,342,304	6,657,135
Total assets		9,113,303	10,556,643
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	664,044	664,044
Other reserves	19	(22,905)	159,241
Retained earnings		7,039,291	7,702,134
		7,680,430	8,525,419
Non-controlling interests		155,743	178,927
Total equity		7,836,173	8,704,346
LIABILITIES			
Non-current liabilities			
Borrowings	21	234,850	293,700
Deferred income tax liabilities	22	321,776	181,080
Retirement benefit obligations	23	–	34,628
Total non-current liabilities		556,626	509,408

	Note	2015 HK\$'000	2014 HK\$'000
Current liabilities			
Trade and other payables and accruals	20	686,197	793,019
Current income tax liabilities		34,307	451,970
Borrowings	21	–	97,900
Total current liabilities		720,504	1,342,889
Total liabilities		1,277,130	1,852,297
Total equity and liabilities		9,113,303	10,556,643

The consolidated financial statements on pages 86 to 159 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf.

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

The notes on pages 93 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations			
Revenue	5	4,454,725	4,912,061
Cost of sales		(2,009,187)	(2,016,098)
Gross profit		2,445,538	2,895,963
Other revenues	5	75,330	75,251
Selling, distribution and transmission costs		(576,754)	(555,883)
General and administrative expenses		(853,477)	(763,254)
Other losses, net	27	(84,657)	(83,436)
		1,005,980	1,568,641
Exchange losses on Renminbi fixed term deposits		(42,136)	(4,109)
Impairment loss on property	6(d)	(87,955)	–
Operating profit		875,889	1,564,532
Finance costs	28	(6,441)	(2,763)
Share of losses of joint ventures		(15,143)	(7,134)
Share of losses of associates		(32,766)	(72,382)
Impairment loss on loan to and amount due from an associate		(695,099)	–
Profit before income tax	24	126,440	1,482,253
Income tax expense	29	(143,952)	(220,935)
(Loss)/profit for the year from continuing operations		(17,512)	1,261,318
Discontinued operations			
Profit for the year from discontinued operations		103,136	158,277
Tax on dividend distributed prior to completion of disposal		(52,726)	–
Gain on disposal of discontinued operations		1,395,770	–
Deferred tax in relation to gain from disposal		(110,676)	–
	30	1,335,504	158,277
Profit for the year		1,317,992	1,419,595

	Note	2015 HK\$'000	2014 HK\$'000 (Restated)
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		(4,281)	1,251,355
– Discontinued operations		1,335,504	158,277
		1,331,223	1,409,632
Non-controlling interests			
– Continuing operations		(13,231)	9,963
		1,317,992	1,419,595
Earnings/(loss) per share (basic and diluted) for profit/(loss) attributable to equity holders of the Company during the year			
– Continuing operations	31	HK\$(0.01)	HK\$2.86
– Discontinued operations	31	HK\$3.05	HK\$0.36
		HK\$3.04	HK\$3.22

The notes on pages 93 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000 (Restated)
Profit for the year		1,317,992	1,419,595
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		–	2,071
Tax effect of remeasurement of defined benefit obligations recognised directly in other comprehensive income	22	–	(352)
		–	1,719
Item that may be reclassified to profit or loss:			
Currency translation differences			
– Group		(48,517)	(87,264)
– Joint ventures		(34)	(35)
Reclassification adjustment to profit or loss on disposal/liquidation of subsidiaries		7,531	25,436
		(41,020)	(61,863)
Other comprehensive income for the year, net of tax		(41,020)	(60,144)
Total comprehensive income for the year		1,276,972	1,359,451
Total comprehensive income attributable to:			
Equity holders of the Company			
– Continuing operations		(61,553)	1,210,299
– Discontinued operations		1,361,709	139,201
		1,300,156	1,349,500
Non-controlling interests			
– Continuing operations		(23,184)	9,951
Total comprehensive income for the year		1,276,972	1,359,451

The notes on pages 93 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 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	18	642,144	(642,144)	-	-	-	-
Transferred to legal reserve	19	-	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
Balance at 1 January 2015		664,044	159,241	7,702,134	8,525,419	178,927	8,704,346
Comprehensive income:							
Profit for the year		-	-	1,331,223	1,331,223	(13,231)	1,317,992
Other comprehensive income:							
Currency translation differences							
- Group		-	(38,564)	-	(38,564)	(9,953)	(48,517)
- Joint ventures		-	(34)	-	(34)	-	(34)
Reclassification adjustment to profit or loss on disposal of subsidiaries		-	7,531	-	7,531	-	7,531
Total comprehensive income, net of tax		-	(31,067)	1,331,223	1,300,156	(23,184)	1,276,972
Transactions with owners:							
Transferred to legal reserve	19	-	3,882	(3,882)	-	-	-
Disposal of subsidiaries		-	(156,016)	156,016	-	-	-
2014 final dividend and special dividend paid		-	-	(1,883,400)	(1,883,400)	-	(1,883,400)
2015 interim dividend paid		-	-	(262,800)	(262,800)	-	(262,800)
Total contributions by and distributions to owners		-	(152,134)	(1,994,066)	(2,146,200)	-	(2,146,200)
Loss previously in reserve released to profit or loss on disposal of subsidiaries		-	1,055	-	1,055	-	1,055
Total transactions with owners		-	(151,079)	(1,994,066)	(2,145,145)	-	(2,145,145)
Balance at 31 December 2015		664,044	(22,905)	7,039,291	7,680,430	155,743	7,836,173

The notes on pages 93 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	1,411,260	1,648,358
Interest paid		(6,721)	(4,164)
Hong Kong tax paid		(150,396)	(193,445)
Overseas tax paid		(68,598)	(122,225)
Net cash generated from operating activities		1,185,545	1,328,524
Cash flows from investing activities			
Purchases of property, plant and equipment		(305,227)	(393,825)
Purchases of intangible assets		(26,976)	–
Purchases of an available-for-sale financial asset		(47,433)	–
Investment in a joint venture		–	(6,311)
Loan to a joint venture		–	(15,778)
Fund advanced to a joint venture		(13,044)	(15,750)
Loan repayments received from joint ventures		155,863	–
(Increase)/decrease in bank deposits maturing after three months		(557,968)	155,369
Redemptions of held-to-maturity financial assets		–	381,582
Net cash inflow from disposal of subsidiaries	30(d)	978,642	–
Expenses incurred on disposal of subsidiaries	30(d)	(32,380)	–
Liquidation of subsidiaries (net of cash and cash equivalents)	33(b)	–	(2,371)
Proceeds from sale of property, plant and equipment		3,419	3,222
Interest received		51,013	60,115
Net cash generated from investing activities		205,909	166,253
Cash flows from financing activities			
Capital injection by non-controlling interests		–	56,868
Proceeds from bank loan		398,960	398,200
Repayments of bank loans		(545,270)	(252,357)
Repayment of loan due to a joint venture		(63,190)	–
Decrease in restricted cash		6,763	42,112
Dividends paid to equity holders of the Company		(2,146,200)	(1,138,800)
Net cash used in financing activities		(2,348,937)	(893,977)
Net (decrease)/increase in cash and cash equivalents		(957,483)	600,800
Cash and cash equivalents at 1 January		3,195,869	2,609,393
Effect of foreign exchange rate changes		(112,411)	(14,324)
Cash and cash equivalents at 31 December		2,125,975	3,195,869

The notes on pages 93 to 159 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 41.

The Company is a limited liability company incorporated and listed in Hong Kong. Its registered office is at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2016.

KEY EVENTS

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

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values as explained in Note 2.11.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation (continued)

(c) Associates (continued)

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

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

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

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

(d) Disposal of subsidiaries and associates

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

(e) Joint arrangements

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

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

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

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Investment properties

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

2.7 Land use rights

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

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

2.8 Intangible assets

(a) Goodwill

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

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

(b) Software development costs

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2.10 Non-current assets held for sale and discontinued operations

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

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

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

2.11 Financial assets

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

2.11 Financial assets (continued)

Recognition and measurement

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

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

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

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

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

Derecognition

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

2.12 Impairment of financial assets

(a) Loans and receivables

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.12 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.13 Programmes, film rights and movies

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

(a) Programme cost

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

(b) Film rights

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

(c) Movies

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

2.14 Stocks

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

2.15 Trade and other receivables

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

2.16 Cash and cash equivalents

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

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

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade and other payables

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

2.19 Borrowings

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

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

2.20 Current and deferred income tax

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

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

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

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

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

2.21 Employee benefits

(a) Employee leave entitlements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.21 Employee benefits (continued)

(b) Pension obligations

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

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

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

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

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

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

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

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

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

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

(c) Bonus plans

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

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

2.22 Provisions

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

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

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

2.23 Financial guarantees

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

2.24 Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.25 Leases

(a) Operating leases (as lessee)

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

(b) Operating leases (as lessor)

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

(c) Finance leases (as lessee)

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

2.26 Related parties

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

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

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

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

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

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

2.26 Related parties (continued)

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

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

2.27 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	2015		2014	
	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	7% (7%)	37,797 (37,797)	1% (1%)	9,694 (9,694)
Malaysian Ringgit	22% (22%)	8,053 (8,053)	6% (6%)	1,895 (1,895)
New Taiwan dollars	4% (4%)	5,706 (5,706)	5% (5%)	(3) 3

(ii) Interest rate risk

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

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

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

(b) Credit risk

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

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

The Group's financial liabilities include trade payables, other payables, accruals and bank borrowings. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period. The bank loans are secured by land and buildings and are repayable as set out in Note 21.

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

	2015		2014	
	Borrowings HK\$'000	Trade and other payables and accruals HK\$'000	Borrowings HK\$'000	Trade and other payables and accruals HK\$'000
Within 1 year	3,898	564,976	103,632	668,316
Between 1 and 2 years	14,568	–	15,069	–
Between 2 and 5 years	64,827	–	187,698	–
Over 5 years	184,580	–	109,682	–
	267,873	564,976	416,081	668,316

Capital management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

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

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

Fair value estimation

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

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

There was no transfer between categories during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Trade receivables

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Loan to and amount due from associates

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

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

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

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

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

(d) Deferred income tax assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION

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

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

Other revenues comprise mainly interest income.

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

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

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group has six reportable segments as follows:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

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

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

5 REVENUE, OTHER REVENUES AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment profit is provided as follows:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

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

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

- (a) No depreciation was provided for studio, broadcasting and transmitting equipment with cost of HK\$2,564,000 (2014: HK\$15,046,000) as they were not ready in use at the year end.
- (b) Last year, land and buildings with net book value of HK\$720,072,000 were pledged to secure loans and banking facilities granted to a subsidiary of the Group.
- (c) At 31 December 2015, the net book values of leasehold land held under finance leases were analysed as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 INVESTMENT PROPERTIES

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

Notes:

- (a) During the year, properties previously held by Liann Yee Group were transferred to another subsidiary of the Group as investment properties as described in "Key Events" in Note 1.
- (b) In 2014, certain properties with net book value of HK\$2,649,000 were reclassified as property, plant and equipment (Note 6) due to a change in usage.
- (c) At 31 December 2015, land and building with net book value of HK\$583,701,000 (2014: nil) were pledged to secure a bank loan granted to a subsidiary of the Group.

7 INVESTMENT PROPERTIES (continued)

Notes:

- (d) The Group's investment properties were valued at 31 December 2015 and 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuations were determined using the direct comparison approach with reference to the comparable properties in close proximity and investment approach with reference to current market rental, where appropriate. The most significant inputs into these valuation approaches are unit price and unit rent per square foot or square metre. The current use of investment properties equates to the highest and best use. As at 31 December 2015 and 2014, the fair value measurement of the investment properties is included in level 3.

8 LAND USE RIGHTS

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

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

9 INTANGIBLE ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (continued)

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

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

10 INTERESTS IN JOINT VENTURES

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

10 INTERESTS IN JOINT VENTURES (continued)

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

Notes:

- (a) The Group has advanced in aggregate HK\$12,417,000 (2014: nil) to 上海翡翠珍宝文化传媒有限公司 (“上海翡翠珍宝”) for daily operations and HK\$41,981,000 (2014: HK\$41,981,000) to Concept Legend Limited (“Concept Legend”) for movie production. The funds advanced are unsecured, interest free and have no fixed term of repayment.
- (b) The Group has provided a loan of RMB12,525,000 (HK\$15,877,000) to 上海翡翠珍宝 for its daily operations in 2014. The loan is unsecured, interest bearing at 6% and has no fixed term of repayment. After the repayment of RMB10,020,000 in 2015, the loan balance at 31 December 2015 was RMB2,505,000 (HK\$2,956,000).
- (c) As at 31 December 2015, the carrying amounts of the loan and advances approximated their fair values. The fair values are based on discounted cash flows and are included in level 2 fair value hierarchy.
- (d) As described in Key Event in Note 1, Liann Yee Group became a joint venture of the Group from 6 May 2015 after the completion of the disposal of 53% equity interest in Liann Yee Group. Because of the plan for the subsequent sale of the remaining 47% interest, the carrying value of the 47% interest was transferred to “Non-current asset held for sale” (Note 30(a)).
- (e) The amount in 2015 represented the fair value of the retained 47% interest in Liann Yee Group recognised as interests in joint ventures upon the disposal of 53% interest in Liann Yee Group (Note 30(d)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INTERESTS IN JOINT VENTURES (continued)

Details of the joint ventures are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
Concept Legend Limited	Hong Kong	Production of films and television programmes	Ordinary shares of HK\$1 each	50%
# 上海翡翠珍宝文化传媒 有限公司	The People's Republic of China	Provision of advertising and management services	Registered capital of RMB10,000,000	50.1%
# Liann Yee Production Co., Ltd. (note (d))	Taiwan	Production of television programmes, channel operations and advertising	Ordinary shares of NT\$10 each	47%

Joint ventures held indirectly by the Company

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

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

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

10 INTERESTS IN JOINT VENTURES (continued)

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

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

* excluding fund advanced, loan and interest receivable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

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

11 INTERESTS IN ASSOCIATES

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

Notes:

- (a) The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan was repayable by 7 installments from 2016 to 2022.
- (b) In addition to the loan described in (a), the Group has an amount due from associates of HK\$615,251,000 (2014: HK\$537,177,000) as disclosed in Note 15. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 15) to assess whether there is any potential impairment.

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

11 INTERESTS IN ASSOCIATES (continued)

Details of the material associates are as follows:

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

An associate held indirectly by the Company

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

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

There are no contingent liabilities relating to the Group's interest in the associates. The Group has confirmed its intention to continue providing the financial support to TVB PVH 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INTERESTS IN ASSOCIATES (continued)

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

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

* excluding loan and interest receivable, and impairment provision

11 INTERESTS IN ASSOCIATES (continued)

Summarised consolidated statement of comprehensive income:

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

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

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LOAN AND RECEIVABLES

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

14 STOCKS

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

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Note:

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

16 RESTRICTED CASH

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

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

The carrying amount of restricted cash approximates its fair value.

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

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

Note:

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

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

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

18 SHARE CAPITAL

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

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 OTHER RESERVES

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

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

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

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

20 TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 BORROWINGS

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

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

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

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

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

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

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

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

22 DEFERRED INCOME TAX

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

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

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

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

Note:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 DEFERRED INCOME TAX (continued)

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

Deferred income tax liabilities

	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2014	114,085	83,859	197,944
Recognised in the income statement	8,201	(9,987)	(1,786)
Liquidation of subsidiaries	(157)	–	(157)
Exchange differences	90	1	91
At 31 December 2014	122,219	73,873	196,092
Recognised in the income statement	8,774	126,909	135,683
Exchange differences	96	–	96
At 31 December 2015	131,089	200,782	331,871

Deferred income tax assets

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

23 RETIREMENT BENEFIT OBLIGATIONS

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

Notes:

(a) Pensions – defined contribution plans

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

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

(b) Pensions – defined benefit plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 PROFIT BEFORE INCOME TAX

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

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

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

Notes:

- (i) Mr. Mark Lee Po On assumed the functions of the chief executive of the Company during the year, and was re-titled as the Group Chief Executive Officer with effect from 1 January 2015.
 - (ii) Cher Wang Hsiueh Hong resigned on 23 April 2015.
 - (iii) Dr. Chow Yei Ching resigned on 1 March 2015.
- (b) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

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

(b) Five highest paid individuals

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

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

26 EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals (continued)

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

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

(c) Senior management's emoluments

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

Emolument bands	*Number of individuals in each band	
	2015	2014
HK\$1,000,001 – HK\$1,500,000	1 [#]	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	2	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	1
HK\$8,500,001 – HK\$9,000,000	–	1
HK\$9,000,001 – HK\$10,000,000	1	–
	6	5

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

one employee joined senior management with effect from 1 October 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 OTHER LOSSES, NET

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

Note:

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

28 FINANCE COSTS

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

29 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

29 INCOME TAX EXPENSE (continued)

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

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

30 NON-CURRENT ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

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

(a) Non-current asset held for sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Notes:

- (i) Totally a disposal gain of HK\$1,395,770,000, represented by a gain on disposal of the equity interest of HK\$851,621,000 and a gain on retained interest of HK\$544,149,000, was recognised.
- (ii) In view of a plan to repatriate the proceeds from the Second Disposal from Taiwan to Hong Kong in the form of dividend upon its completion, a deferred tax provision of HK\$110,676,000 had been made in the consolidated financial statements for the year ended 31 December 2015.

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

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

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

(d) Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 EARNINGS/(LOSS) PER SHARE

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

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

32 DIVIDENDS

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

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

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

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

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 (Note 9)	49,448
Exchange loss transferred from translation reserve (Note 19)	25,436
Net loss on liquidation of subsidiaries	71,706
Analysis of net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries:	
Cash and cash equivalents	(2,371)

34 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

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

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

35 COMMITMENTS

(a) Capital commitments

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

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

(b) Contractual programme rights commitments

The amounts of commitments for programme rights are as follows:

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

(c) Operating lease commitments as lessee

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

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

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

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

The lease expenditure expensed in the consolidated income statement during the year is disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 COMMITMENTS (continued)

(d) Operating lease commitments as lessor

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

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

36 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme service licence granted by the Government of the HKSAR (“Government”) which runs for a period of twelve years to 30 November 2015.

On 12 May 2015, the Government announced that the Company’s application for renewal of the domestic free television programme service licence for a period of 12 years from 1 December 2015 to 30 November 2027 has been approved. Under the renewed licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million in total for the six-year period from 2016 to 2021; (ii) provide at least 12,000 hours of local productions each year; (iii) provide an additional four hours per week of positive programmes (including current affairs programmes, documentaries, arts and culture programmes and programmes for young persons) on the Company’s digital channels; (iv) provide independent local productions on an incremental basis from 20 hours per year in 2016 to 60 hours per year by 2020. In addition, the Company is granted more flexibility to schedule the broadcast of RTHK programmes and an additional 5% non-designated language allowance for the English channel. In accordance with the standard procedure, the renewed licence of the Company will be subject to a mid-term review in 2021.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The fees were received from/(paid to) Liann Yee Production Co., Ltd., a joint venture of the Group since 6 May 2015.
- (ii) The fees were received from Concept Legend Limited, a joint venture of the Group.
- (iii) The fees were received from/(paid to) TVB Network Vision, an associate of the Company.
- (iv) The fees were received from MEASAT Broadcast Network Systems Sdn. Bhd., a fellow subsidiary of the non-controlling shareholder of non wholly-owned subsidiaries of the Company.
- (v) The fees were paid to ITC Properties Management Limited, an entity jointly controlled by a person who has significant influence over the Company and a close member of that person's family.
- (vi) The disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules have been properly complied with.

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

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

(b) Key management compensation

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

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

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

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

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

Note:

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

(d) Fund advanced/loan to related parties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 EVENT SUBSEQUENT TO THE YEAR END

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

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

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

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

Statement of financial position of the Company (continued)

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

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

Charles Chan Kwok Keung
Director

Mark Lee Po On
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Reserve movement of the Company

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

40 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group to the Company		Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK\$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB Investment Limited	Bermuda	20,000	US\$20,000	100	100	Investment holding
TVB Satellite TV Holdings Limited (note (b))	Bermuda	12,000	US\$12,000	100	100	Investment holding
TVBO Production Limited	Bermuda	12,000	US\$12,000	100	100	Owner of film rights and programme licensing
广东采星坊演艺咨询服务有限公司 (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
Condor Entertainment B.V. (note (b))	The Netherlands	400	EUR18,400	100	–	Investment holding
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT\$10,000,000	100	–	Investment holding and programme licensing
聯意投資股份有限公司	Taiwan	75,000,000	NT\$750,000,000	100	–	Investment holding
Liann Yee Asset Co., Ltd.	Taiwan	74,760,700	NT\$747,607,000	100	–	Property investment
TVB (Australia) Pty. Ltd.	Australia	5,500,000	A\$5,500,000	100	–	Provision of satellite and subscription television programmes
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US\$6,010,000	100	–	Investment holding and programme licensing and distribution

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other countries (continued)

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

Notes:

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

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

- (a) The accounts of these subsidiaries, which do not materially affect the results of the Group, have been audited by firms other than PricewaterhouseCoopers.
- (b) The accounts of these subsidiaries are not audited.
- (c) On 30 November 2001, TVB Publishing Holding Limited issued a total of 9,000,000 ordinary shares at HK\$8.60 per share to its non-controlling shareholders as unpaid shares. These shares will not be entitled to voting and dividends rights until they are fully paid. 4,500,000 ordinary shares were fully paid up in 2003 and the remaining 4,500,000 ordinary shares were still unpaid as at 31 December 2015.
- (d) Represented ordinary share capital, unless otherwise stated.
- (e) All principal subsidiaries are limited liability companies.

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
 J2 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
 Pearl 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
 J5 J5	C	A brand new channel of wealth and knowledge showcasing self-produced finance information programmes complemented by acquired documentaries, drama series, movies and variety programmes (formerly HD Jade)

Channel	Language	Description
 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	A 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	A TVB channel featuring family-oriented entertainment programmes tailored to the viewing preferences and schedules for Chinese viewers in the USA
 Việt Nam TVBV	V	The first 24-hour Vietnamese-dubbed TVB drama channel tailor-made for Vietnamese families in the USA and Australia
 TVBJ TVBJ	C/M	TVB flagship general entertainment channel tailored to Australian Chinese. Apart from latest Hong Kong drama series, infotainment programs and grand variety shows, TVBJ also presents self-produced local programmes
 tvbj TVBJ	C	A 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 E = English M = Mandarin V = Vietnamese J = Japanese K = Korean

Channel	Language	Description
 Japanese Drama	C/J	Japanese Drama is home to new and popular Japanese dramas. Established as a trendsetter, Japanese Drama delivers drama series airing close to Japan telecasts, be it a romantic comedy, suspense thriller, crime investigation or melodrama
 Korean Drama	C/K	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. 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
 Chinese Drama	C/M	Chinese Drama assembles flagship drama titles from China and Taiwan. By offering titles of premier cast and finest productions, Chinese Drama is devoted to establishing itself as a diversified and abundant Mandarin drama channel
 Asian Select	C	Asian Select presents a collection of all-time favorite Asian drama titles from China, Taiwan, Korea and Japan. A wide spectrum of thematic drama packages, as well as star-focus special lineup are arranged to air 7 episodes per week, offering a superb viewing pleasure
 TVB Classic	C	Drama channel presenting a collection of the most memorable and admired TVB dramas from TVB's well-established library
 Classic Movies	C	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
 Asia Variety	C	Asian Variety features popular Asian varieties from China, Korea and Japan. Such a collection of good entertaining programmes include reality shows, talent shows and awards ceremonies
 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
 Sports	C	General sports channel featuring a wide range of local and international sports events
 Entertainment News	C	Channel delivering the latest showbiz buzz from around the world, as well as exclusive interviews with the hottest local and international celebrities
 Jade Catch Up	C	Channel offering same-day catch-up service of TVB Jade's primetime programmes, including two flagship drama series, sit-com and infotainment programmes
 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



Television Broadcasts Limited
電視廣播有限公司

TVB CITY, 77 CHUN CHOI STREET
TSEUNG KWAN O INDUSTRIAL ESTATE
KOWLOON, HONG KONG

© Television Broadcasts Limited 2016
電視廣播有限公司

 This Annual Report is printed on environmentally friendly paper