Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2013 ANNUAL RESULTS

RESULTS HIGHLIGHTS:

- Group's turnover increased by 4%, from HK$5,448 million to HK$5,686 million.
- Profit attributable to equity holders increased by 0.3% from HK$1,732 million to HK$1,738 million.
- Final dividend was recommended at HK$2.00 per share (2012: HK$2.00 per share), making a total dividend of HK$2.60 per share (2012: HK$2.60 per share) for the year. Total dividends represented a 66% payout (2012: 66%) of the current year's profit attributable to equity holders.

The Board of Directors ("Board") of Television Broadcasts Limited ("Company" or "TVB") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013 HK$'000**	2012 HK$'000 (Restated)
Turnover	2	**5,686,050**	5,447,884
Cost of sales		**(2,221,333)**	(2,023,479)
Gross profit		**3,464,717**	3,424,405
Other revenues	2	**67,525**	73,250
Selling, distribution and transmission costs		**(626,109)**	(554,581)
General and administrative expenses		**(735,247)**	(700,096)
Other gains, net		**6,907**	3,499
Impairment loss on loan to and trade receivables from an associate		**–**	(100,000)
Finance costs	5	**(2,268)**	(4,067)
Share of losses of joint ventures		**(2,252)**	(1,071)
Share of (losses)/profits of associates		**(52,658)**	112
Profit before income tax	4	**2,120,615**	2,141,451
Income tax expense	6	**(358,426)**	(403,425)
Profit for the year		**1,762,189**	1,738,026
Profit attributable to:			
Equity holders of the Company		**1,737,987**	1,732,256
Non-controlling interests		**24,202**	5,770
		1,762,189	1,738,026
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	7	**HK$3.97**	HK$3.95
Dividends	8	**1,138,800**	1,138,800

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year	**1,762,189**	1,738,026
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	**23,748**	(12,925)
Tax effect of remeasurement of defined benefit obligations recognised directly in other comprehensive income	**(4,037)**	2,197
	19,711	(10,728)
Item that may be reclassified to profit or loss:		
Currency translation differences	**(47,584)**	35,966
Other comprehensive (loss)/income for the year, net of tax	**(27,873)**	25,238
Total comprehensive income for the year	**1,734,316**	1,763,264
Total comprehensive income attributable to:		
Equity holders of the Company	**1,708,292**	1,757,487
Non-controlling interests	**26,024**	5,777
Total comprehensive income for the year	**1,734,316**	1,763,264

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	As at 31 December 2013 HK$'000	2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**3,105,052**	2,813,832	2,352,012
Investment properties		**13,595**	12,848	11,821
Land use rights		**69,834**	71,470	55,614
Goodwill		**171,730**	175,545	170,525
Interests in joint ventures		**13,281**	15,533	16,604
Interests in associates	9	**599,715**	648,947	529,112
Available-for-sale financial assets		**3**	3	3
Deferred income tax assets		**28,369**	29,969	35,344
Prepayment		**–**	–	16,695
Total non-current assets		**4,001,579**	3,768,147	3,187,730
Current assets				
Programmes and film rights		**461,945**	368,004	336,911
Stocks		**11,957**	13,940	13,122
Trade and other receivables, prepayments and deposits	10	**2,481,751**	1,970,481	1,605,239
Tax recoverable		**10,772**	800	461
Held-to-maturity financial assets		**381,582**	–	–
Restricted cash		**51,151**	7,230	7,316
Bank deposits maturing after three months		**291,045**	435,099	397,060
Cash and cash equivalents		**2,609,393**	3,169,247	3,295,584
Total current assets		**6,299,596**	5,964,801	5,655,693
Total assets		**10,301,175**	9,732,948	8,843,423
EQUITY				
Equity attributable to equity holders of the Company				
Share capital		**21,900**	21,900	21,900
Other reserves	13	**843,254**	861,605	807,568
Retained earnings				
– Proposed final dividend		**876,000**	876,000	766,500
– Others		**6,573,565**	5,985,722	5,422,102
		8,314,719	7,745,227	7,018,070
Non-controlling interests		**112,108**	86,084	30,044
Total equity		**8,426,827**	7,831,311	7,048,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2013

	Note	**As at 31 December** **2013** **HK$'000**	2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	11	**–**	180,088	197,153
Deferred income tax liabilities		**190,681**	152,966	179,779
Retirement benefit obligations		**41,429**	72,729	59,861
Total non-current liabilities		**232,110**	405,783	436,793
Current liabilities				
Trade and other payables and accruals	12	**938,815**	995,876	896,693
Current income tax liabilities		**451,066**	474,739	437,589
Borrowings	11	**252,357**	25,239	24,234
Total current liabilities		**1,642,238**	1,495,854	1,358,516
Total liabilities		**1,874,348**	1,901,637	1,795,309
Total equity and liabilities		**10,301,175**	9,732,948	8,843,423
Net current assets		**4,657,358**	4,468,947	4,297,177
Total assets less current liabilities		**8,658,937**	8,237,094	7,484,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

New or revised standards adopted by the Group

The Group adopted the following new or revised standards, which are mandatory for the financial year ended 31 December 2013 and are relevant to its operations.

HKAS 1 (amendment) Financial statement presentation

The main change resulting from the amendment to HKAS 1 is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether or not they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKAS 19 (revised) Employee benefits

HKAS 19 (revised) introduces a number of amendments to the accounting for defined benefit schemes. Among them, HKAS 19 (revised) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. HKAS 19 (revised) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of HKAS 19 (revised), the Group has changed its accounting policy with respect to defined benefit schemes, for which the corridor method was previously applied. This change in the accounting policy has been applied retrospectively by restating prior periods. See note 14 for the impact on the consolidated financial statements.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and separate financial statements" relating to the preparation of consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. However, the adoption has not changed any of the control conclusions previously reached by the Group in respect of its involvement with other entities.

1. **Basis of preparation** (continued)

HKFRS 11 Joint arrangements

HKFRS 11, which replaces HKAS 31 "Interests in joint ventures" divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice for joint ventures.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The adoption of HKFRS 11 has not had any material impact on the financial position and the financial result of the Group.

HKFRS 12 Disclosures of interests in other entities

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13 Fair value measurement

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS.

2. **Turnover and other revenues**

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

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

Other revenues comprise mainly interest income.

2. **Turnover and other revenues** (continued)

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

	2013	2012
	HK$'000	HK$'000
Turnover		
Advertising income, net of agency deductions	**3,910,765**	3,729,020
Licensing income	**953,015**	849,939
Subscription income	**446,421**	507,164
Others	**442,796**	430,201
	5,752,997	5,516,324
Less: Withholding tax	**(66,947)**	(68,440)
	5,686,050	5,447,884
Other revenues		
Interest income	**49,488**	59,163
Others	**18,037**	14,087
	67,525	73,250
	5,753,575	5,521,134

3. Segment information

The Group General Manager is the Group's chief operating decision maker. The Group reports its operating segments based on the internal reports reviewed by the Group General Manager for the purposes of allocating resources to the segments and assessing their performance.

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

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

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

3. Segment information (continued)

	Hong Kong TV broadcasting HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Taiwan operations HK$'000	Channel operations HK$'000	Hong Kong digital media business and other activities HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2012								
Turnover								
External customers	3,142,639	804,856	388,312	830,052	100,248	181,777	–	5,447,884
Inter-segment	23,917	135,336	370	3,846	16,234	8,121	(187,824)	–
Total	3,166,556	940,192	388,682	833,898	116,482	189,898	(187,824)	5,447,884
Reportable segment profit excluding impairment loss (restated)	1,205,018	611,814	82,757	276,285	30,471	36,065	–	2,242,410
Impairment loss on loan to and trade receivables from an associate	(100,000)	–	–	–	–	–	–	(100,000)
Reportable segment profit including impairment loss (restated)	1,105,018	611,814	82,757	276,285	30,471	36,065	–	2,142,410
Interest income	48,856	6,350	182	1,804	–	1,971	–	59,163
Finance costs	–	–	–	(4,067)	–	–	–	(4,067)
Depreciation and amortisation	(198,369)	(2,606)	(5,203)	(42,487)	(124)	(18,374)	–	(267,163)
Additions to non-current assets#	215,112	5,235	8,460	447,907	377	10,863	–	687,954

Non-current assets comprise goodwill, property, plant and equipment, investment properties and land use rights (including prepayment related to capital expenditure if any). An amount of HK$16,695,000 transferred from prepayment has been excluded since it was already reported within additions to non-current assets in the year 2011.

3. Segment information (continued)

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

	2013	2012
	HK$'000	HK$'000
		(Restated)
Reportable segment profit including impairment loss	**2,175,525**	2,142,410
Share of losses of joint ventures	**(2,252)**	(1,071)
Share of (losses)/profits of associates	**(52,658)**	112
Profit before income tax	**2,120,615**	2,141,451

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2013 and 2012.

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

	2013	2012
	HK$'000	HK$'000
Hong Kong	**3,502,966**	3,323,798
Taiwan	**832,133**	833,101
USA and Canada	**198,244**	241,869
Australia	**104,993**	128,039
Europe	**44,602**	63,132
Mainland China	**401,975**	280,704
Malaysia and Singapore	**560,100**	532,746
Other countries	**41,037**	44,495
	5,686,050	5,447,884

4. Profit before income tax

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

	2013 HK$'000	2012 HK$'000 (Restated)
Net exchange gain	**(6,907)**	(3,499)
Gross rental income from investment properties	**(2,884)**	(2,068)
Direct operating expenses arising from investment properties	**513**	482
Loss on disposals of property, plant and equipment	**4**	931
Auditors' remuneration	**4,902**	4,971
Non-audit service fees (mainly tax services)	**3,175**	5,244
Cost of programmes, film rights and stocks	**1,493,540**	1,369,645
Depreciation	**279,424**	264,385
Amortisation of land use rights	**3,247**	2,778
Operating leases		
– Equipment and transponders	**22,133**	23,469
– Land and buildings	**32,025**	25,715
Employee benefit expense (excluding directors' emoluments)	**1,622,597**	1,511,353

5. Finance costs

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings		
– Wholly repayable within 5 years	**2,268**	144
– Wholly repayable after 5 years	**–**	3,923
	2,268	4,067

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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:

	2013	2012
	HK$'000	HK$'000
		(Restated)
Current income tax:		
– Hong Kong	**223,357**	278,389
– Overseas	**97,799**	144,399
– Under/(over) provisions in prior years	**2,652**	(665)
Total current income tax	**323,808**	422,123
Deferred income tax:		
– Origination and reversal of temporary differences	**34,594**	(18,747)
– Effect of decrease in tax rate	**24**	49
Total deferred income tax	**34,618**	(18,698)
	358,426	403,425

In 2004, the Inland Revenue Department of Hong Kong ("IRD") initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the nine consecutive years of assessment from 1998/99 to 2006/07 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$23,990,000, HK$23,561,000, HK$20,205,000, HK$35,028,000, HK$49,365,000, HK$53,809,000, HK$56,199,000, HK$56,434,000 and HK$50,879,000 for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$369,470,000 (Note 10). Similar additional assessments may be issued for subsequent years of assessment.

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to 2012/13. As of 31 December 2013, the Group has made a total provision of HK$358 million against the potential tax exposures for the years of assessment from 1998/99 to 2012/13. The tax provision is considered to be adequate.

6. Income tax expense (continued)

The Group will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in the tax audit, the outcome of the tax dispute could be different from the amounts provided; such difference would impact the income tax provisions in the year in which any determination is made.

7. Earnings per share

Earnings per share is calculated based on the Group's profit attributable to equity holders of HK$1,737,987,000 (2012: HK$1,732,256,000 (restated)) and 438,000,000 shares in issue throughout the years ended 31 December 2013 and 2012. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Dividends

	2013	2012
	HK$'000	HK$'000
Interim dividend paid of HK$0.60 (2012: HK$0.60) per ordinary share	**262,800**	262,800
Proposed final dividend of HK$2.00 (2012: HK$2.00) per ordinary share	**876,000**	876,000
	1,138,800	1,138,800

At a meeting held on 26 March 2014, the Directors recommended a final dividend of HK$2.00 per ordinary share. This 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 2014.

9. Interests In Associates

	2013	2012
	HK$'000	HK$'000
Investment costs	**736,813**	736,813
Less: Accumulated share of losses	**(736,813)**	(730,042)
	–	6,771
Loan to an associate (note (a))	**719,212**	719,212
Interest receivables from an associate	**16,207**	12,781
	735,419	738,764
Less: Share of losses in excess of investment costs	**(45,887)**	–
Less: Provision for impairment loss	**(89,817)**	(89,817)
	599,715	648,947
Unlisted shares, at cost	**736,813**	736,813

Notes:

(a) The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan was scheduled to be repaid by 7 installments from 2016 to 2022.

(b) In addition to the loan described in (a), the Group has trade receivables from associates of HK$449,960,000 (2012: HK$422,166,000) as disclosed in Note 10. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 10) to assess whether there is any potential impairment.

(c) The carrying amount of the loan to an associate approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25% and is included in level 2 fair value hierarchy.

10. Trade and other receivables, prepayments and deposits

	2013 **HK$'000**	2012 HK$'000
Trade receivables from:		
Joint ventures	**–**	24
Associates	**449,960**	422,166
Related parties	**66,124**	74,340
Third parties (note)	**1,518,895**	1,420,031
	2,034,979	1,916,561
Less: Provision for impairment loss on receivables from:		
Associates	**(421,626)**	(421,674)
Third parties	**(99,441)**	(91,046)
Other receivables, prepayments and deposits	**598,369**	248,049
Tax reserve certificates (Note 6)	**369,470**	318,591
	2,481,751	1,970,481

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

At 31 December 2013, trade receivables including trading balances due from joint ventures, associates and related parties were aged as follows:

	2013 **HK$'000**	2012 HK$'000
Current	**634,561**	582,488
1-2 months	**357,810**	357,857
2-3 months	**264,226**	249,741
3-4 months	**168,395**	154,916
4-5 months	**73,401**	58,754
Over 5 months	**536,586**	512,805
	2,034,979	1,916,561
Trade receivables due from:		
Third parties	**1,518,895**	1,420,031
Joint ventures, associates and related parties	**516,084**	496,530
	2,034,979	1,916,561

11. Borrowings

	2013 HK$'000	2012 HK$'000
Non-current		
Long-term bank loan, secured	**–**	180,088
Current		
Short-term bank loans, secured	**228,080**	–
Current portion of long-term bank loan, secured	**24,277**	25,239
	252,357	25,239
Total bank borrowings	**252,357**	205,327

12. Trade and other payables and accruals

	2013 HK$'000	2012 HK$'000
Trade payables to:		
Associates	**135**	543
Related parties	**9,443**	9,378
Third parties	**131,095**	114,181
	140,673	124,102
Receipts in advance, deferred income and customers' deposits	**155,794**	196,102
Provision for employee benefits and other expenses	**328,075**	394,116
Accruals and other payables	**314,273**	281,556
	938,815	995,876

At 31 December 2013, trade payables including trading balances due to associates and related parties were aged as follows:

	2013 HK$'000	2012 HK$'000
Current	**93,983**	84,405
1-2 months	**34,176**	25,511
2-3 months	**9,652**	9,814
3-4 months	**767**	3,167
4-5 months	**1,222**	702
Over 5 months	**873**	503
	140,673	124,102

13. Other reserves

	Share premium HK$'000	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2012	602,026	70,000	839	117,791	40,118	(23,206)	807,568
Currency translation differences (restated):							
– Group	–	–	–	–	–	35,959	35,959
Transferred from retained earnings	–	–	–	19,108	–	–	19,108
Change in ownership interests in subsidiaries without change of control	–	–	(1,030)	–	–	–	(1,030)
Balance at 31 December 2012 (restated)	602,026	70,000	(191)	136,899	40,118	12,753	861,605
Balance at 1 January 2013 (restated)	602,026	70,000	(191)	136,899	40,118	12,753	861,605
Currency translation differences:							
– Group	–	–	–	–	–	(49,406)	(49,406)
Transferred from retained earnings	–	–	–	31,055	–	–	31,055
Balance at 31 December 2013	**602,026**	**70,000**	**(191)**	**167,954**	**40,118**	**(36,653)**	**843,254**

14. Change in accounting policy

Adoption of HKAS 19 (revised)

The effect of these changes to the accounting policy is shown in the following tables.

Impact of change in accounting policy on consolidated statement of financial position

	As at 31 December 2012 (previously stated) HK$'000	Adopt HKAS 19 (revised) HK$'000	As at 31 December 2012 (restated) HK$'000	As at 1 January 2012 (previously stated) HK$'000	Adopt HKAS 19 (revised) HK$'000	As at 1 January 2012 (restated) HK$'000
Deferred income tax assets	18,493	11,476	29,969	26,050	9,294	35,344
Total assets	9,721,472	11,476	9,732,948	8,834,129	9,294	8,843,423
Other reserves	863,623	(2,018)	861,605	807,568	–	807,568
Retained earnings – other	6,039,731	(54,009)	5,985,722	5,467,480	(45,378)	5,422,102
Retirement benefit obligations	5,226	67,503	72,729	5,189	54,672	59,861
Total equity and liabilities	9,721,472	11,476	9,732,948	8,834,129	9,294	8,843,423

14. **Change in accounting policy** (continued)

Adoption of HKAS 19 (revised) (continued)

Impact of change in accounting policy on consolidated income statement

	For the year ended 31 December 2012 (previously stated) HK$'000	Adopt HKAS 19 (revised) HK$'000	For the year ended 31 December 2012 (restated) HK$'000
Selling, distribution and transmission costs	(554,701)	120	(554,581)
General and administrative expenses	(702,502)	2,406	(700,096)
Profit before income tax	2,138,925	2,526	2,141,451
Income tax expense	(402,996)	(429)	(403,425)
Profit for the year	1,735,929	2,097	1,738,026
Profit attributable to:			
Equity holders of the Company	1,730,159	2,097	1,732,256
Non-controlling interests	5,770	–	5,770
	1,735,929	2,097	1,738,026
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	HK$3.95	–	HK$3.95

14. Change in accounting policy (continued)

Adoption of HKAS 19 (revised) (continued)

Impact of change in accounting policy on consolidated statement of comprehensive income

	For the year ended 31 December 2012 (previously stated) HK$'000	Adopt HKAS 19 (revised) HK$'000	For the year ended 31 December 2012 (restated) HK$'000
Profit for the year	1,735,929	2,097	1,738,026
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations	–	(10,728)	(10,728)
Item that may be reclassified to profit or loss:			
– Currency translation differences	37,984	(2,018)	35,966
Other comprehensive (loss)/income for the year, net of tax	37,984	(12,746)	25,238
Total comprehensive income for the year	1,773,913	(10,649)	1,763,264
Total comprehensive income for the year attributable to:			
Equity holders of the Company	1,768,136	(10,649)	1,757,487
Non-controlling interests	5,777	–	5,777
Total comprehensive income for the year	1,773,913	(10,649)	1,763,264

14. Change in accounting policy (continued)

Adoption of HKAS 19 (revised) (continued)

Impact of change in accounting policy on consolidated statement of changes in equity

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012, as previously reported	21,900	807,568	6,233,980	7,063,448	30,044	7,093,492
Effect of change in accounting policy	–	–	(45,378)	(45,378)	–	(45,378)
Balance at 1 January 2012, as restated	21,900	807,568	6,188,602	7,018,070	30,044	7,048,114
Profit for the year, as previously reported	–	–	1,730,159	1,730,159	5,770	1,735,929
Effect of change in accounting policy	–	–	2,097	2,097	–	2,097
Profit for the year, as restated	–	–	1,732,256	1,732,256	5,770	1,738,026
Other comprehensive income for the year, as previously reported	–	37,977	–	37,977	7	37,984
Effect of change in accounting policy	–	(2,018)	(10,728)	(12,746)	–	(12,746)
Other comprehensive income/(loss) for the year, as restated	–	35,959	(10,728)	25,231	7	25,238
Total comprehensive income, net of tax	–	35,959	1,721,528	1,757,487	5,777	1,763,264
Transaction with owners:						
Transferred to legal reserve	–	19,108	(19,108)	–	–	–
2011 final dividend paid	–	–	(766,500)	(766,500)	(762)	(767,262)
2012 interim dividend paid	–	–	(262,800)	(262,800)	–	(262,800)
Capital injection by non-controlling interests	–	–	–	–	55,080	55,080
Change in ownership interests in subsidiaries without change of control	–	(1,030)	–	(1,030)	(4,055)	(5,085)
Total transaction with owners	–	18,078	(1,048,408)	(1,030,330)	50,263	(980,067)
Balance at 31 December 2012, as restated	21,900	861,605	6,861,722	7,745,227	86,084	7,831,311

CHAIRMAN'S STATEMENT

The Board of Directors of Television Broadcasts Limited ("TVB", "the Group" or "the Company") is pleased to present the annual report and financial statements of the Group for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The Group's turnover increased by 4% from HK$5,448 million to HK$5,686 million, and the profit before income tax decreased by 1% from HK$2,141 million to HK$2,121 million during 2013. The Group's profit attributable to shareholders was HK$1,738 million (2012: HK$1,732 million), giving an earnings per share of HK$3.97 (2012: HK$3.95).

Our total equity stood at HK$8,427 million (2012: HK$7,831 million) at the year-end. Our unpledged cash balance totalled HK$2,900 million (2012: HK$3,604 million), and our bank borrowings amounted to HK$252 million (2012: HK$205 million), giving a net cash balance of HK$2,648 million at 31 December 2013.

As a result, the Group's Directors will recommend a final dividend of HK$2.00 per share at the forthcoming annual general meeting. Together with the interim dividend of HK$0.60 per share paid, this would yield a total dividend of HK$2.60 per share for the full year ended 31 December 2013, representing the same amount as 2012 and a 66% payout of our current year's profit.

BUSINESS REVIEW

The year of 2013 turned out to be challenging and eventful. Despite an intensely competitive market environment, we continued to produce and broadcast programmes that generated solid TV ratings. In early 2013, we upgraded J2 and Jade – the remaining two of our five digital TV channels – to high-definition standard to help position TVB at the forefront of broadcasting in Hong Kong.

Despite our application for a judicial review of the procedure leading to the Communications Authority's recommendation for granting additional domestic free television service ("Free TV") licences, the Government announced on 15 October 2013 its approval-in-principle for granting two additional Free TV licences to Fantastic TV, a company under i-Cable TV, and Hong Kong Television Entertainment, a company under PCCW. The decision doubles the number of Free TV operators from two to four, and we expect these new operators to begin their services in the latter half of 2014.

With our Free TV licence expiring in November 2015, we submitted in accordance with the prescribed procedure in November 2013 an application to the Government for a renewal of our licence for another term of 12 years. Amid intensifying competition from new operators, we continue to strengthen our production capability and programme development. We have invested in plant and equipment while remaining focused on the development of our newer channels, J2 and HD Jade.

With the impending new entrants to the Free TV market and our viewers' changing consumption pattern, the Group will be facing many challenges ahead. We are, however, committed to strengthening our investments so that we can continue to produce top-notch contents for our viewers. We will conduct a detailed study to gauge our future operational needs and fine-tune the plan to build production studios and related facilities at a site close to our headquarters in Tseung Kwan O Industrial Estate, Hong Kong. Meanwhile, our preparation for building a production headquarters in Linkou, New Taipei City, is well underway, and construction will commence in 2014 and is scheduled for completion in 2017.

On Mainland China, I am pleased to note that the total revenue from Mainland China had increased from HK$281 million to HK$402 million during 2013, representing an increase of 43%, thanks to formation of the joint venture 上海翡翠東方傳播有限公司 ("TVBC") in 2012 which helped monetize our contents and develop our talent in the mainland.

Following years of improving financial performance, TVB Network Vision, our pay TV business in Hong Kong, generated a loss of HK$59 million during 2013, of which the Group took its share of HK$53 million. This loss was contributed mainly by increased costs for upgrading TVB Network Vision's infrastructure in Hong Kong from satellite to optical-fibre distribution, which will further enhance picture quality and service stability. With these improvements, we are positive that this business will deliver better financial performance in the future.

A charitable fund, the "TVB, Staff & Artistes Fund for Charities Limited", was set up in February 2013 with the aim of providing emergency financial support to the underprivileged, the elderly, and victims suffering from adversities such as natural disasters and accidents. The Fund received its tax-exempt status in June 2013 and has been actively serving community needs since.

OUTLOOK

Rapidly evolving technologies are transforming the way TV programmes are being delivered and watched, resulting in changing consumer behaviour. These developments have a major impact on the media and entertainment industry. As a player in this business sector, we need to be mindful of these challenges in developing our new business initiatives.

During the year, piracy of our programmes and channels grew in many parts of the world and this could leave a lasting, negative impact on our overseas businesses if not managed properly. We have diligently conducted anti-piracy campaigns and joined forces with government authorities in order to rein in such illegal activities and safeguard our long-term interests.

In 2014, we will continue to serve our viewers' needs for quality entertainment and information. We broadcast the XXII Olympic Winter Games held in Sochi, Russia in February and will air the 2014 FIFA World Cup through our pay TV channels as well as free TV, Internet and mobile platforms in June and July. These events, together with many to come, form part of a strategic move to bring world-class sporting events for our viewers' enjoyment.

CHAIRMAN EMERITUS SIR RUN RUN SHAW

On 7 January 2014, Sir Run Run Shaw passed away peacefully at the age of 107. Sir Run Run was one of the founding directors of TVB and served as our Executive Chairman for 30 years. He deserved our highest respect for his outstanding entrepreneurship and sterling contribution to our business development over the years. Sir Run Run will be fondly remembered by all of us for his leadership and insight, and by the communities in Hong Kong and across Mainland China for his philanthropy.

Last but not least, I would like to sincerely thank our directors for their wise counsel and guidance, and our staff for their on-going support during 2013. Despite the many challenges ahead, I am confident that TVB will continue to play a leading role in the Chinese television markets.

Norman Leung Nai Pang
Executive Chairman

Hong Kong, 26 March 2014

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

TV ADVERTISING

While skincare maintained its top position in the advertisers' spending league table, its growth had slowed to 3.6%. Milk powder manufacturers, even after a short hiccup in August when some New Zealand dairy products were found contaminated, continued to spend healthily on advertising, ranking second and contributing significantly to the overall revenue growth.

Other categories showing strong growth included mobile phone operators and electronic equipment, as all the leading brands launched new models during the year, as well as personal loan and insurance companies. Another category worth mentioning is dental care, which witnessed a 99% year-on-year growth as the market leader was challenged. Meanwhile, banks remained cautious, resulting in a mild decline of 10% in their advertising expenses.

The property market, which contributed significantly to advertising revenue growth in 2012, has been seriously hit after the Government imposed cooling measures to curb property prices; very few new real estate projects were released during the year. Advertising spending from property developers picked up slightly in the last quarter when developers adopted a more aggressive sales approach and offered various incentives to entice potential buyers. Overall, the category still suffered a drop of 27% from 2012.

Camera was another category that experienced a significant slowdown, with spending declining by 35% year-on-year, as key players did not release major product models.

Several integrated advertising packages (consisting of all our TV platforms, online and magazine offerings) in relation to the 2014 FIFA World Cup were favourably received by advertisers and sold out. Looking ahead, we will further enhance our efforts in selling integrated packages by providing our clients with more supporting services, such as simple television commercial production and research.

TERRESTRIAL TV CHANNELS PERFORMANCE

Celebrating A Legendary Year

In 2013, TVB remained the most-watched TV broadcaster in Hong Kong by a wide margin, achieving an overall audience share[1] of 80% for our terrestrial TV channels[2] against the total TV channels in Hong Kong during weekday primetime[3].

TVB continued to lead the market and attract a wide range of viewers through vast investments on strategic and diversified programming, active engagement across various channels and technologies advancement in equipment and broadcasting quality. In 2013, we celebrated a year filled with remarkable legendary starts for TVB.

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

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

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

2014 World Cup Again On TVB

We proudly announced in May the appointment of TVB as Hong Kong's official broadcaster of the 2014 FIFA World Cup, regaining the status after 16 years. The station has been granted the first exclusive multimedia rights for both free and pay TV platforms as well as terrestrial radio, Internet and mobile. Great efforts will be devoted to programme productions, new media developments and outdoor promotion events to drum up excitement prior to and during the World Cup.

As a warm-up to this year's event, we telecast 16 live matches of the *FIFA Confederations Cup 2013* and five major live matches of the *FIFA U-20 World Cup 2013* in June and July across Jade, HD Jade and Pearl; a pay TV channel live telecast the remaining matches. In September, major live matches of *FIFA Beach Soccer World Cup 2013* were also telecast on Jade and HD Jade. Soccer fans were able to enjoy highlights of these international events throughout the day on both the terrestrial TV channels and myTV (web and mobile).

Return Of Blockbuster Drama Sequels

This year saw the return of two long-awaited, big-budget drama sequels: *Triumph In The Skies II* and *Beauty At War*.

An aviation story filmed in London, Paris and Taiwan, *Triumph In The Skies II* featured Francis Ng Chun Yu and Julian Cheung Chi Lam as charming pilots. Similar to its first instalment in 2003, the sequel again became the talk of the town and the most popular drama of the year, achieving an average consolidated rating[4] of 36 TVRs (a TV rating[5] of 31 TVRs and an online catch-up rating[6] of 4.8 TVRs on average). Cheung's portrayal won him the Most Popular TV Male Character of the year.

Meanwhile, *Beauty At War*, which depicted the conflicts and rumour-mongering among consorts in a Qing palace, was filmed in Hengdian, Zhejiang. In addition to the returning cast from the first instalment in 2004, the sequel featured new characters played by Moses Chan Ho, Ada Choi Siu Fun and Kenny Wong Tak Pun. It received critical acclaim for its creative theme and dazzling scenery and costumes.

New Programme Formats, New Talents

In the non-drama category, we introduced new programme formats on our flagship channel to enrich our programme variety and cultivate new talents.

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4 Consolidated rating is defined as the summation of TV 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 2013, the total TV population comprises 6,420,000 viewers, and therefore, 1 TVR represents 64,200 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 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 64,200 viewers.

The Voice Of The Stars, a dream-come-true singing reality show, created great buzz in 2013 and helped several supporting artistes including Fred Cheng Jun Wung, Corinna Chamberlain, Yao Bin and Hoffman Cheng Sai Ho achieve overnight fame. We also introduced an interactive public voting for the contest's champion via our app, TVB fun, and attracted a total of 237,930 votes, more than 160,000 of which were cast to support Fred Cheng Jun Wung.

Innovative production formats were introduced for travelogues, which were well received with award recognition. *Three Amigos Bon Voyage* featured the fun journey of three veteran artistes, Woo Fung, Patrick Tse Yin and Joe Junior, travelling through Portugal, Spain and Turkey for the first time. The trio was well loved by our audience and the show won the Best Variety Programme of 2013.

Because of popular feedback, we introduced the debut series of travelogue *Pilgrimage Of Wealth* and its sequel within the same year. The first instalment was aired in April, while the sequel, *Pilgrimage Of Wealth (Sr. 2)*, was broadcast in August and took our audience to popular Asian destinations including Korea, Japan, Singapore and Shanghai. The sequel was the top-rated thematic programme for the 10:30 p.m. timeslot and was also named the Best Docutainment Programme of 2013. The travelogues successfully boosted the popularity of the shows' hosts, Tony Hung Wing Sing and Priscilla Wong Tsui Yu, who won the Best TV Host of the year.

A parent-child reality show, *Where Are We Going, Dad?*, adopted the programme format of a popular Korean show, featuring five artiste-fathers and their children travelling in camps. The fun-provoking reality show attracted great TV ratings.

Legendary Miss Hong Kong Pageant 2013

The *Miss Hong Kong Pageant 2013* reached a big milestone as it marked the first time in its 40-year history where the champion was purely selected by the public. More than 890,000 viewers cast their votes via TVB fun during the semi-final and final competitions.

The *Miss Hong Kong Pageant 2013 – Semi-Final* returned to Jade after 10 years and achieved an average consolidated rating of 25 TVRs (a TV rating of 24 TVRs and an online catch-up rating of 0.4 TVR on average). The grand night of the *Miss Hong Kong Pageant 2013 – Final*, which dazzled the audience with an ancient-train stage design, attained even better results with an average consolidated rating of 30 TVRs (a TV rating of 29 TVRs and an online catch-up rating of 0.6 TVR on average). This represented the best viewership number recorded for the show over the past eight years.

Jade Channel

Jade[7] achieved an average 23 TVRs during weekday primetime[8] for 2013. High-quality homegrown drama, variety shows and enrichment programmes catering to local taste continued to attract viewers to our flagship channel.

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7 During weekday primetime, Jade is defined as an aggregate of Jade and HD Jade ("Total Jade").

8 Jade's weekday primetime runs from 7 p.m. to 11 p.m., Mondays to Fridays.

Drama

Apart from big-budget sequel productions like *Triumph In The Skies II* and *Beauty At War*, we also released new drama serials with innovative themes. Headlined by Roger Kwok Chun On and Wong Cho Lam, *Inbound Troubles* was a comedy reflecting social phenomena arising from cultural differences between Mainland China and Hong Kong. The drama serial won great audience acclaim with an average consolidated rating of 35 TVRs (a TV rating of 30 TVRs and an online catch-up rating of 4.6 TVRs on average). It was the second-most popular drama of the year, a position after *Triumph In The Skies II*. Other popular titles of the year included *Friendly Fire* and *Sergeant Tabloid*.

To kick-off celebrations for TVB's 46th anniversary, epic drama *Brother's Keeper* was set against historical events straddling three decades from the 1980s to 2013 in Hong Kong and Macau. Starring Ruco Chan Chin Pang, Edwin Siu Jing Nam and Kristal Tin Yui Lee, the series showcased a great number of important historical video clips and reminded viewers of the good old days. Tin was named the Best Leading Actress and the Most Popular TV Female Character of the year for her role as "Yiu Man Ying".

Viewers also welcomed the return of many familiar faces to Jade primetime drama in 2013. Francis Ng Chun Yu reprised his acclaimed role as "Sam Tong" in *Triumph In The Skies II*, while Julian Cheung Chi Lam boosted his popularity by playing charming pilot "Captain Cool". Love comedy *Bounty Lady* brought our all-time favourite comedian Dayo Wong Tsz Wah back to Jade and he won the Best Leading Actor of the year for his role as "Heung Kwong Nam". Lawrence Ng Kai Wah returned to play his iconic doctor role in *The Hippocratic Crush II*. Beloved on-screen couple Bobby Au Yeung Chun Wah and Esther Kwan Wing Ho also made an appearance in time-travel serial *Always And Ever*.

Family situation-comedy *Come Home Love* remained a favourite among our audience, attaining a stable average rating of 24 TVRs in 2013. As a result, the serial will be extended through 2014 with a target of making it the longest-running sitcom since *A Kindred Spirit*.

Non-drama

In addition to the critically acclaimed variety programmes such as *The Voice Of The Stars*, *Three Amigos Bon Voyage* and *Pilgrimage Of Wealth (Sr. 2)*, we also strengthened our non-drama lineup in 2013 with other variety and reality shows.

During the Chinese New Year, Jade adopted a new programme format to welcome the Year of the Snake. *TVB Golden Viva Spectacular*, a five-hour festive show, showcased popular Hong Kong artistes and performances filmed in Korea, Malaysia, Singapore and Taiwan. To further engage our audience during the festive celebrations, an interactive game, *Million Fun In Gold*, was launched and attracted more than 14 million submissions from the audience via our mobile app, TVB fun, over a five-day period.

Audience feedback was favourable towards acquired overseas non-drama programmes, which were re-packaged using TVB artistes as hosts. These included parent-child-themed reality shows *I'm Old Enough and What's Daddy*, which were both popular at home in Japan. *I'm Old Enough* featured small children on missions without supervision from their parents, while *What's Daddy* showcased young Japanese children travelling across the globe to visit their far-from-home dads. Mainland-produced documentaries featuring the wonders of China also struck a chord with our viewers – the more popular titles included *A Bite Of China* and *China's Mega Projects*.

HD Jade Channel

HD Jade continued to gain ground in terms of TV ratings, achieving an 18% growth during non-simulcast hours versus the corresponding timeslot in 2012. Its share of Total Jade weekday primetime ratings rose to 38% from 32% in the corresponding timeslot in 2012.

New segments, including *Money Smart Warrants* and *Business Talks*, were added to the channel's signature financial programme *Money Smart* to further engage with our viewers. The programme was well recognized by market participants and top investment banks were recruited as our honoured sponsors.

Popular overseas serials including *New My Fair Princess*, the Chinese palace story of *Female Prime Minister* and Chinese novel-based serial *Scarlet Heart* helped push up ratings during the weekday HD drama timeslot from 11:45 p.m. to 12:45 a.m. on Mondays to Fridays. Co-starring Hong Kong actor Kevin Cheng Ka Wing and Mainland China actress Cecilia Liu Shishi, *Scarlet Heart* was named the most popular drama on HD Jade and one of its episodes reached more than 350,000 viewers, hitting a record for the timeslot.

Food programmes and wildlife documentaries continued to draw in a stable pool of viewers during the 7:00 p.m. to 8:00 p.m. timeslot on weekends. On Saturdays, *Edventures in Asia* was among the most popular food programmes with promising ratings performance. On Sundays, viewers tuned in to high-definition nature and wildlife documentaries. Among the popular ones were *How Nature Works* and *Super Fish*, with as many as 660,000 viewers tuning in during the best minute of the two shows.

As a cross-channel integration campaign, we launched a new timeslot *Pearl Showcase* between 11:00 a.m. and 12:00 noon on Sundays to offer popular infotainment documentaries from Pearl to HD Jade audience.

Popular overseas variety programmes also helped diversify the channels' offerings. Well-received programmes included the popular Chinese singing reality show *The Voice of China* and the Korean dance survival programme *Dancing 9*.

J2

J2 continued to gain viewership during the year and consolidate its position as a young and vibrant channel. The channel's rating during its weekly primetime[9] increased by 30% compared with the corresponding timeslot in 2012.

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[9] J2's weekly primetime runs from 7 p.m. to 12 a.m., Mondays to Sundays.

Several innovative programmes were introduced to strengthen J2's programme lineup. In June, the channel launched its first locally produced micro-cinema, *Blue Magic*. Headlined by Tony Hung Wing Sing and Jacqueline Chong Sze Man, it depicted a fantasy story about alien invasion in an electrical appliances store. This was followed by another micro-cinema, *If It's Meant To Be...*, a romantic story filmed in Bangkok and Taipei starring Oscar Leung Lit Wai, Christine Kuo Yun Hui and Taiwanese actor Huang Tai An. A new mini-programme *Bookworm* featured book recommendations by the city's notables and was well received by viewers.

J2's signature in-house production *Big Boys Club* celebrated its 1,000th episode milestone with a 90-minute special in December. Another signature local production *All Things Girls* revamped its format in September and has since extended its production to four episodes a week from Mondays to Thursdays.

A steady stream of highly rated foreign programmes, including Korean drama *Moon Embracing Sun*, Taiwanese travelogue *Amazing Adventures* and French food programme *Foodie Planet (II)*, helped garner the support of the younger audience.

To strengthen its younger image, J2 acquired overseas reality programmes that were popular among younger viewers, including Korean game show *Running Man*, Korean survival show *The Law of the Jungle* and Japanese animal reality show *Shimura Zoo (II)*. Music lovers were also able to watch the most popular international award presentations and musical gala from the U.S., Europe, Korea, Singapore, Taiwan and Hong Kong on the channel. Some of these events included *2013 Mnet Asian Music Awards, 2013 American Music Awards, 2013 European Music Awards, KKBOX Digital Music Awards 2012* and *Hong Kong Asian-Pop Music Festival 2013*.

In November, the channel brought one of the most anticipated Japanese animations, *Attack On Titan*, to Hong Kong. The popular production, based on an award-winning Japanese manga series, is expected to run through 2014.

Pearl Channel

For the ninth consecutive year, the top 100 rated English programmes aired on local terrestrial English TV channels were all from Pearl.

During the year, the channel successfully strengthened its leading position in sports offerings, bringing international events *Hong Kong Sevens 2013*, *Snow Polo World Cup 2013* and *Hong Kong Squash Open 2013* to the Hong Kong audience. A livecast of *International Soccer Friendly – Kitchee vs Manchester United* attracted an average rating of 8.2 TVRs and a top-minute rating of 11.0 TVRs, making the match the top-rated English TV programme of the year.

As usual, Pearl live telecast the most anticipated Hollywood event of the year, *The 85th Academy Awards®*. The number of viewers nearly doubled that of last year as people tuned in to watch Taiwanese film director Ang Lee received his second Oscar win as Best Director.

Blockbuster movies remained Pearl's core offerings. *Gulliver's Travels* was the top-rated movie on Pearl during the period, achieving an average rating of 7.2 TVRs and reaching 9.0 TVRs at its highest level. *Avatar*, the highest-grossing movie of all time, made its free TV debut on the channel and received great ratings.

The channel has also brought acclaimed overseas TV miniseries to the Hong Kong audience. For example, the Emmy-nominated miniseries *The Bible* premiered on Pearl in late 2013 and has doubled the timeslot's average ratings since its debut episode.

Since October, Pearl has further strengthened its primetime programme lineup, especially during the midnight hour to extend the channel's reach to late-night and tertiary-educated viewers. We have redefined the different programme timeslots and maintained entertainment and infotainment at 8:00 p.m. and 8:30 p.m. respectively; high-quality documentaries at 9:30 p.m. and primetime drama at 10:30 p.m. on weekdays; and weekend movie blockbusters at 9:30 p.m.. To cater for late-night viewers, we kicked off a new midnight drama timeslot with American supernatural drama series *666 Park Avenue*, which received great feedback from the audience.

Pearl Spectacular, the signature high-definition documentary timeslot between 9:30 p.m. and 10:30 p.m. on Tuesdays, attained promising ratings. *The Sea's Strangest Square Mile*, which showcased weird ocean creatures, was the top-rated documentary series during the period.

iNews Channel And News Programmes

iNews remained the most-watched 24-hour news channel in Hong Kong in 2013, thanks to our news team's efforts in upholding a high standard of news reporting in Hong Kong.

Major news events that received live coverage included the *U.S. Presidential Inauguration*, the *NPC Opening* and the *NPC Closing: President Xi's Speech*. In February, iNews telecast a series of SARS-themed news footage during its daily programme to commemorate the 10th anniversary of the SARS crisis; there were also two SARS-related episodes in *Sunday's Report* examining Hong Kong's biggest health crisis of the decade and its effect on people.

To tie in with an upgrade on picture-transmission quality in June, iNews officially switched all of its productions, including news clips, news segments and live newscasts, into high-definition picture quality. In addition, Chinese subtitles were inserted into all news clips to further enhance the viewing experience for the audience and cater for the need of those who are hearing impaired. Live coverage featured in news programmes is now readily available on TVB.com and TVB News app, in addition to the traditional platform on iNews.

Two news segments introduced this year received applause from viewers. Global Snaps featured around-the-world cultural and lifestyle information, while *Big Big World* offered a close look at little-known customs and traditions in off-the-beaten-path destinations such as Bhutan, Jamaica and Tonga.

Viewers can obtain the latest schedule of news segments via TVB Weekly, myEPG app or a third news screen on iNews, which also provides animated instant weather updates including typhoon movements.

To strengthen our leading position, iNews has extended the 30-minute 7:30 p.m. newscast on weekdays to a one-hour telecast to offer more in-depth and comprehensive news coverage to our audience. The extended schedule also aims to better serve our busy audience who returns home late from a long day of work. In addition, a new segment *China News* was introduced to cover social, economic and political issues in Mainland China.

Digitisation

Penetration of digital terrestrial TV reached 80.2% of all households by December 2013 (including set top boxes, integrated digital TVs and receivers connected to PCs). Through its wide network of transmission stations for digital terrestrial TV broadcasting, TVB now provides coverage for 99% of the population in Hong Kong, which is on par with the population coverage of the analogue TV network. Our five drama, eight variety and four news studios have been upgraded to HD production standard, while the post-production and field-production facilities have substantially been installed with HD capability.

CHANNELS FOR PAY TV PLATFORM

To cater to viewers' increasingly diverse interests, TVB added a new channel – TVB Sports to the Hong Kong pay TV platform in 2013, bringing the total number of TVB-branded channels to 13.

TVB Drama and TVB Select were renamed Drama 1 and Drama 2 in April 2013 in an effort to reinforce the positioning of the two foreign drama channels. Long established as the forerunner in acquired dramas, Drama 1 assembles the most sought-after TV series from Japan, Korea and Taiwan. Highlights included *Naoki Hanzawa*, the phenomenal drama that became the top-rated Japanese show of the 21st century and *Ando Roid*, the thrilling sci-fi series starring Kimura Takuya that we began broadcasting while it was still airing in Japan. Drama 2, which features Asian mega-hits targeting all ages, continued to score excellent ratings. Korean soap opera *Ojakgyo Family*, which won seven prizes at the 2011 KBS Drama Awards and two at the 48th Baeksang Arts Awards, was the most popular title of the genre among viewers in 2013.

In September 2013, TVB Lifestyle was rebranded as TVB Good Show in a relaunch of the channel as an entertainment trendsetter featuring popular Asian variety and reality shows as well as music concerts. Some of the most prominent programmes aired on the channel included the highly anticipated talent show from China, *The Voice of China (II)*, the family-oriented reality show from Korea, *Where Are We Going, Dad?* and the controversial Korean reality show on plastic surgery, *Let Me In*.

TVB Window, renamed from TVB Lifestyle, showcases highlights from pay TV channels including dramas, animations, movies, news and entertainment news, while TVB Sports covers local and international sports events including the *FIFA U-17 World Cup 2013* aired in October and the upcoming 2014 FIFA World Cup.

TVB Food produced new local programmes which were positively received by viewers. A notable example was *The Mischievous Duos* where the two hosts explored local food spots in search of rare recipes and exclusive tips from chefs and experts.

TVB Classic continued to lead the pay TV market by using TVB's vast and star-studded archive to produce distinctive-themed packages of the hottest artistes. For example, riding on the massive hit *Triumph In The Skies II* on Jade, we launched the campaign "When Sam Meets Captain Cool" to showcase acclaimed serials of Francis Ng Chun Yu and Julian Cheung Chi Lam, including *Triumph In The Skies* and *Return of The Cuckoo*.

TVB Movies featured premium Asian films and exclusive Shaw Studio blockbusters such as *I Love Hong Kong 2013*. To commemorate the 10th anniversary of Anita Mui's death, a special package was arranged to showcase her extraordinary works throughout the years.

On top of delivering the latest local and international showbiz news, TVB Entertainment News boasted its own productions in 2013, including *Room 6* and *Director Talk*. Working closely with Astro in Malaysia, we also hosted and produced the *TVB Star Awards Malaysia 2013* for the first time, with the event being broadcast live in Hong Kong and Malaysia in December 2013.

TVB Kids provided a mixture of educational and entertaining programmes for children of all ages. Popular animations included *Inazuma Eleven Go, Kung Fu Panda Legends of Awesomeness* and *Dragons Riders of Berk*. We launched the "Parent-Child Theatre" in December 2013 to showcase animated features and family-oriented movies for enjoyment of both parents and children on weekends.

DIGITAL MEDIA BUSINESS

The Internet business recorded decent growth in both usage and advertising income in 2013. Our overall mobile traffic has grown rapidly and the volume of mobile streaming exceeded that of web streaming, thanks to better-quality videos, faster broadband and 3/4G mobile networks as well as a wider variety of affordable Internet-connected devices, such as smartphones, tablets and OTT service enablers.

A faster connection and devices with bigger screens allow viewers to watch videos online more smoothly, and our web and app services have been designed on purpose to ride this digital trend. In addition to our official website (www.tvb.com), we have launched eight mobile applications, namely myTV, GOTV, TVB News, TVB Finance, TVB Zone, TVB fun, myEPG and tvb.com weibo, to help users enjoy TVB programmes and interact with artistes anywhere, anytime. As a result, the stream views of TVB contents from tvb.com and the various apps recorded a 47% growth in 2013 compared to a year earlier. In October 2013, adManGo, an advertising-monitoring company, reported that myTV was the top app with the highest mobile advertisement income in Hong Kong, while TVB News app ranked third.

Our mobile apps, supported by quality content and innovations, continue to lead the market. Since July 2013, online catch-up viewership has been included in the calculation of consolidated TV rating and myTV – now streaming at high-definition mode – has attained more than 30 million monthly stream views. Viewers can watch Jade's primetime dramas on the app from 11:30 p.m. on the same day subsequent to their broadcast. The app's content delivery infrastructure and capacity have also been upgraded to cope with usage growth and to extend the service to Macau users.

Many major international events were streamed live including *The 85th Academy Awards®, Hong Kong Sevens 2013*, the *FIFA Confederations Cup 2013* and the *FIFA U-20 World Cup 2013*. A three-hour instant playback for these live events can be accessed on the website, allowing viewers to easily rewind and enjoy the golden moments of the events at their fingertips.

Soccer mania will be hitting Hong Kong soon. In addition to the exclusive television and radio rights for the 2014 FIFA World Cup, TVB has also acquired for the first time the Internet and mobile rights in the territory. A comprehensive myWorldCup mobile app and web service will be launched later for soccer fans to enjoy the live matches and their highlights afterwards. The app will also provide the latest World Cup news, in-match statistics, multiple viewing angles for a brand-new match-viewing experience and interactive games developed for the best possible enjoyment of the event.

A new video-on-demand streaming service, GOTV, was launched in January 2014. Its content is derived from the massive TVB archive of more than 40 years and the high-video-quality service runs on multiple platforms. Once users have purchased a one-month or one-year subscription plan either online or at the retail shops of channel partners, they can watch more than 10,000 episodes of TVB's recommended dramas as many times as they want subject to a fair usage policy. Just a few days after launch, the GOTV app already ranked among the top latest free mobile applications in the App Store and Google Play. In the coming year, we will roll out more content and additional features and gradually extend the service to selected overseas markets.

TVB's first mobile game app "Super Trio Maxis" was released in Hong Kong in December 2013 as our foray into the growing mobile gaming market. The app has accumulated more than 100,000 downloads and has been scheduled for release in Mainland China and other Asian countries in 2014. More games are in the pipeline to promote TVB programmes and characters through mobile devices.

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

The Group's economic interest in TVB Pay Vision Holdings Limited ("TVBPVH") stands at 90% during the year, while its voting interest in TVBPVH remains at 15%. As the Group does not exercise control over TVBPVH, the income statement and the statement of financial position of TVBPVH are equity accounted for as an associate in the accounts of the Group.

For the year ended 31 December 2013, TVB's share of the net loss of TVBPVH was HK$53 million (2012: a net profit of HK$0.1 million). The loss incurred reflected mainly the effect of an increase in operating costs due to the migration of residential subscribers from satellite to optical fibre, which required in-building wiring works and the swapping of set-top boxes. The new boxes are HD-enabled and are core to our business objective to provide HD services to attract more subscriptions and achieve higher average revenue per user. The migration, which began in August 2013, is scheduled to complete in mid-2014.

The total interest in TVBPVH as of 31 December 2013 before any impairment loss was HK$1,138 million, which represented the total cost of investment, a long-term loan and trade receivable balances, less the accumulated share of losses. Management had undertaken a vigorous review of the amounts due from TVBPVH and concluded that no further provision for impairment was required to be made in the Group accounts as of 31 December 2013. Accordingly, after deducting the accumulated provision for impairment loss of HK$510 million, the balance of the Group's total interest in TVBPVH amounted to HK$628 million as of 31 December 2013 (2012: HK$649 million).

In April 2013, the Communications Authority approved TVBPVH's main operating wholly owned subsidiary, TVB Network Vision Limited ("TVBNV"), to employ fixed network and In-building Coaxial Cable Distribution Systems ("IBCCDS") as additional means of transmission to provide its domestic pay TV service. The Communications Authority also allocated a maximum of 10 IBCCDS channels in ultra-high frequency band to TVBNV for service delivery, enabling TVBNV to provide stable signal for more channels in HD, a prerequisite for TVBNV to become a competitive pay TV player in the market. TVBNV then started working on subscriber migration from satellite to optical fibre immediately after completing its technical preparations in August 2013.

During the year, TVBNV has significantly improved its contents proposition by increasing its total number of channels from 48 to 62, including 7 drama channels, 12 entertainment channels, 4 sports/action channels, 8 children channels, 4 factual channels, 3 movie channels and 19 news/infotainment channels. TVBNV's contents offer has moved up a notch, from heavily relying on the 16 TVB-branded channels to a new mix of high-value third-party channels like beIN Sports, Warner TV, KIX and Thrill, Nickelodeon and Cartoon Network. TVBNV had a total of 20 HD channels on its platform by the end of 2013.

Given the new infrastructure, improved contents proposition and service quality, the Group has confidence in the business prospects of TVBPVH.

MAGAZINE BUSINESS

The advertising revenue of TVB Weekly, our official TV guide, remained stable and the magazine's average circulation per issue recorded an increase of nearly 5% from 2012 despite the rapid growth of new media, which poses a challenge to traditional entertainment publications.

During the year, TVB Weekly has added regular columns featuring the social lives of celebrities. This helped recruit some of the most exclusive public figures to subscribe to our magazine and raise the profile of our readership.

TVB Zone, the mobile application version of TVB Weekly, was launched in March 2013 to cope with the keen competition in the fragmented market and to diversify the publication business. The free app has been downloaded more than 110,000 times within a year and has helped enhance the profile of our programmes and artistes through a wider readership.

MOVIE PRODUCTION

TVB produces movies under a joint venture with Shaw Productions Limited. It released the latest sequel to the well-received *I Love Hong Kong* movie series, *I Love Hong Kong 2013*, in February 2013. The movie raked in total earnings of about HK$18 million in Hong Kong alone. More productions under the joint venture are in the pipeline for 2014.

TVB also participated in the production of *From Vegas to Macau* starring Chow Yun Fat and Nicholas Tse Ting Fung. The film was released during the 2014 Lunar New Year in Hong Kong, Mainland China and the international markets.

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Revenue from programme licensing and distribution, comprising income from distribution of TVB programmes through telecast, video and new media outside of Hong Kong, increased by 14% from HK$940 million to HK$1,072 million.

During the year, we successfully renewed the master licensing agreements with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), previously known as ASTRO All Asia Networks plc in Malaysia and StarHub Cable Vision Limited ("StarHub") in Singapore for three years with increased license fees.

As a commitment to our business partners in Malaysia and Singapore, we increased investment in developing programme contents that cater to local taste and stepped up anti-piracy enforcement. In Malaysia, an infotainment programme *Wellness On The Go* with participation from local audiences was produced with success during the year. It not only strengthened awareness of our brand but also helped recoup some of the lost young subscribers. Our first tripartite collaboration with StarHub to produce the Singapore version of *Lady First* proved to be a successful formula in attracting young female viewers and exploring new business opportunities. We shall continue similar co-production projects in the future.

In Vietnam, our increased marketing efforts, such as organizing the first artistes' visit to the country, have begun generating positive results. We recorded a growth in revenue through sharing advertising income of TVB Drama Channel on the largest cable TV network. We also secured a programme supply contract with a local licensee for broadcasting our programmes at primetime.

To fuel the Group's future business growth, we have made progress in opening up new markets around the world, including Africa, Indonesia, Laos, Latin America and Mongolia. In October 2013, we launched four TVB channels on PT. Link Net (trading as "First Media") in Indonesia with heavy promotion. This aroused the interest of other pay TV operators in distributing our channels on their platforms. Significant on-ground works are underway to further expand our distribution network in other undeveloped markets.

CHINA OPERATIONS

The Group's licensing business, advertising and artiste management in Mainland China continued under TVBC, a joint venture between TVB, China Media Capital ("CMC") and Shanghai Media Group ("SMG"). The shareholdings in TVBC are TVB, holding 55%, and CMC and SMG, holding in aggregate the remaining 45%.

Under TVBC, we are pleased to note that the total revenue from Mainland China increased 43% from HK$281 million to HK$402 million during 2013. In particular, we have had encouraging results from developing the new media licensing business. The segmentation of programme rights into different categories such as Internet, IPTV and OTTTV created better revenue return. We also launched iTVB, a new app for smartphones on the largest mobile network in Mainland China, which offers TVB programmes to its subscribers.

On production of TV dramas, we are planning to set up workshops in Beijing and Shanghai in order to attract resources to facilitate production of dramas in which we have made significant investments. These dramas, which qualify for primetime release in the mainland, are expected to be broadcast on national satellite TV platforms in 2014.

Breakthrough was seen in the artiste management segment as we successfully signed a number of famous TVB artistes through TVBC. Meanwhile, TVBC has been actively promoting TVB's management artistes in Mainland China by casting them in both dramas and non-drama programmes in which it has invested.

We also expanded our advertising sales business by setting up a joint venture in Shanghai in the first quarter of 2014 with Shanghai Oriental Pearl Mobile TV Co., Ltd., which owns more than 9,000 buses in Shanghai with more than 18,000 on board LED screens. These screens will carry clips of selected TVB programmes which will not only help raise our brand's profile in Shanghai but also generate steady revenue for TVBC.

TAIWAN OPERATIONS

TVBS – Taiwan

Taiwan's economy took an unexpected turn for the worse in 2013. The full-year GDP growth was only 1.9%, well below the 3.6% forecast. Without the boost from political campaigns like in 2012, TVBS still managed to deliver last year's revenue of HK$834 million. This was mainly attributable to the continued strong performance of our stalwart news channel, improvements in our rejuvenated entertainment channel and stellar results from the New Year's Eve Countdown Special.

On the capital expenditure side, TVBS has largely completed its HD upgrade for all three channels broadcast on local cable systems including TVBS, TVBS-News and TVBS-G. Several dozen cable operators were already broadcasting TVBS-News in HD on trial in the third quarter of 2013 and both the audience and the industry reacted positively to this development. Starting from January 2014, Taiwanese households that have set-top boxes can watch TVBS-News in HD. The entertainment channel TVBS-G and the TVBS Channel will switch to HD broadcast shortly, which will make TVBS the first network to go full HD in Taiwan.

We spent great efforts in 2013 in transforming the TVBS Channel from a pure talk-show channel to a comprehensive one that provides business and financial information too. This is the first significant overhaul of the channel since its inception in 1993. It now reports on real-time business and financial news with an emphasis on wealth creation during the day and features in-depth programmes on international news and financial topics in the evening and at night. A newly launched political talk show *Issues@2100* now occupies the 9 p.m. slot to satisfy the political junkies and in anticipation of the island-wide elections scheduled to take place at the end of 2014. So far, the channel's daytime viewership has been steadily climbing, but adjustments to night-time programming might be needed to further boost viewership.

2013 also saw TVBS made its debut on the IPTV platform and immediate headway was achieved. We started making Taiwan's version of TVB8, where half of the contents are produced by TVBS, available on Chunghwa Telecom's Multimedia on Demand channel in September and it has already shot up to number 30 among the 150 channels offered in just a few months.

With digital and mobile platforms dominating the future, content is king. The vast Chinese-speaking market's insatiable appetite for entertainment programmes and dramas is not something that TVBS can afford to neglect or retreat from. Our first in-house produced teen pop idol drama *Dragon Gate* made its debut in summer and our second drama serial *Kiss Me, Mom!* was released in the fourth quarter of 2013.

As to the construction of our brand-new headquarters in Linkou, we expect to break ground in 2014, as soon as we receive official approval for construction to commence.

OVERSEAS PAY TV OPERATIONS

Overall annual revenue recorded a drop of 21% to HK$308 million, as piracy using IP-based devices remains a major problem across all pay TV platforms. We have stepped up legal and enforcement actions to protect our business. On top of our existing satellite TV services, we plan to introduce a new IP-based pay TV service offering HD channels and video on demand catch-up service, mobile TV, tablet TV, Apps TV and air-play viewing experience to retain existing subscribers and attract new ones. We believe this new service is competitive vis-a-vis piracy, easier to expand to markets where we currently have no presence, and more importantly much lower in operating costs when compared to traditional satellite TV operations.

North America (USA)

We successfully completed the migration of direct-to-home subscribers to DISH Network and also reached an agreement with Time Warner Cable Network to offer our all-channel-package to subscribers on its platform. To increase our exposure to the non-Chinese-speaking market, we secured deals to supply our programmes to Hulu, LLC, a popular U.S. mainstream ad-supported subscription video-on-demand streaming site, and are in collaboration with Crunchyroll Inc. ("Crunchyroll") to debut an application on multiple devices including mobile, OTT, computer, game console and smart TV, during the year. Crunchyroll is a well known streaming website in the U.S. specializing on Asian dramas and animes targeting mainstream viewers.

Australia

Our subscription-TV business was adversely affected by rampant piracy using IP-based devices, but we will put more resources in producing local infotainment programmes and organizing corporate events to attract more advertising revenue and sponsorship. The 2013 Miss Sydney Chinese Pageant and other large-scale events showcased to potential advertisers our capability to organize events that were appealing to the Chinese community. We are carefully studying the feasibility of launching the IP-based TV service in Australia in the near future.

Europe

Piracy hit our business in Europe the hardest among the three pay TV platforms. We have tentatively scheduled to launch the new IP-based TV service in the first half of 2014 to revive our pay TV business. We are confident that the service's more advanced features coupled with our competitive product offerings will gradually edge out IP-box piracy in the market.

CHANNEL OPERATIONS

TVB8 And Xing He Channels

Revenue for TVB8 and Xing He Channels mainly comprised license fees, subscription and advertising revenue for distribution of the channels through satellite to Mainland China and as part of the channel offerings to MEASAT, StarHub and Telecom Malaysia. Despite intense competition in the Malaysian market, our advertising revenue was satisfactory. In addition, the renewal of the master agreement with StarHub also attributed to the growth in licensing revenue. Total revenue in 2013 recorded a 14% growth to HK$132 million from a year earlier.

During the year, considerable efforts were devoted to reinforce TVB8 brand positioning in the market. Several TVB-driven projects were organized with our partners in China and South East Asia such as *Chinese New Year Chinese Taste* with SMG, *2013 TVB8 International Chinese Kung Fu Championship* and *StarHub TVB Awards Presentation 2013* with StarHub. The programmes were well received by both Mandarin-speaking viewers, particularly the younger generation, as well as advertisers.

In Indonesia, our partner First Media introduced a brand-new Chinese TV package comprising TVB8 and Xing He channels to its pay TV subscribers in October 2013. This might lead to further expansion of the channel to other potential markets in the region. To further develop non-traditional markets, we will develop a premium Xing He channel in 2014 and Indonesia will be the first territory to launch the channel.

COMBATING PIRACY

Protecting intellectual property rights is one of the important measures we take to protect our revenue.

During the year, the Group increased resources for its internal anti-piracy task force, which was set up in early 2013, and placed extensive surveillance on the Internet to detect infringing websites and illegal TV set-top boxes. Administrative or civil actions were then taken, resulting in the shutdown of several major illegal websites and removal of other infringing contents. We also reported detections of illegal TV set-top boxes to the law enforcement agencies in Australia, Malaysia, Singapore, the U.S. and the U.K. for their follow-up; investigations are still in progress.

The Group maintained a close liaison with local and overseas governments, copyright associations, concern groups such as the Cable & Satellite Broadcasting Association of Asia (CASBAA) and the U.S. Coalition Against Online Video Piracy (CAOVP), and other industry players in the fight against piracy. We have and will continue to lobby the governments to improve copyright legislation and provide effective protection to copyright owners against online piracy.

FINANCIAL REVIEW

OVERVIEW

For the year ended 31 December 2013, the Group continued to maintain steady revenue growth and reported turnover of HK$5,686 million (2012: HK$5,448 million), an increase of 4%. Cost of sales increased from HK$2,023 million to HK$2,221 million, an increase of 10% over 2012. As a result, gross profit increased from HK$3,424 million to HK$3,465 million, an increase of 1%, and the gross profit percentage was 61% (2012: 63%).

Included in the cost of sales were the cost of programmes, film rights and stocks which amounted to HK$1,494 million (2012: HK$1,370 million), an increase of 9% over 2012.

Selling, distribution and transmission costs amounted to HK$626 million (2012: HK$555 million), an increase of 13% over 2012. The increase was due to higher costs (staff, depreciation and maintenance costs) incurred in Hong Kong; increase in expenses in Mainland China as TVBC started its operations in the second half 2012; more promotion expenses for the overseas programme licensing and distribution business; and increase in expenses (staff and transmission costs) for the Hong Kong digital media business.

General and administrative expenses for the year amounted to HK$735 million (2012: HK$700 million), representing an increase of 5% over last year. This reflected largely increases in staff costs in Hong Kong and Taiwan; and an increase in expenses in Mainland China as TVBC started its operations in the second half of 2012.

During the year, the Group shared losses of HK$53 million of TVBPVH. When compared with the profits shared of HK$0.1 million for the year ended 31 December 2012, the increase in shared losses was due to the higher cost of parallel distribution using satellite and optical fibre in the interim, and an increase in staff costs needed for the implementation of this new infrastructure.

Further to a review of the recoverability of the loan and trade receivables from TVBPVH at 31 December 2013, no additional impairment loss was required in the Group's financial statements for the year.

Profit before income tax for the year amounted to HK$2,121 million (2012: HK$2,141 million), a decrease of 1% over 2012.

The Group's taxation charge amounted to HK$358 million (2012: HK$403 million), a decrease of 11% over 2012. The Group's major subsidiaries operate in the countries whose effective tax rates vary from 0% to 41%.

Overall, the Group's profit attributable to equity holders for the year amounted to HK$1,738 million (2012: HK$1,732 million), an increase of 0.3% over 2012. The earnings per share was HK$3.97 (2012: HK$3.95).

SEGMENT RESULTS

Revenue under Hong Kong TV broadcasting, which comprised advertising revenue from the Group's free TV channels and the pay TV channels continued to grow. The revenue of this segment grew from HK$3,167 million to HK$3,322 million, representing an increase of 5%. The increase in advertising revenue was partly offset by the increases in operating costs which included, principally, cost of programmes and staff costs. The increase in programme costs was due mainly to a higher unit cost for self-produced dramas and non-dramas. Staff costs increase was due to the increase in headcounts, and the salary increments given to counter inflation and market competition. As a result, this segment recorded a profit (before the impairment loss on TVBPVH) of HK$1,182 million (2012: HK$1,205 million), representing a decrease of 2%.

Revenue from programme licensing and distribution which comprised licensing income from distribution of our programmes through telecast, video and new media licensing, increased from HK$940 million to HK$1,072 million, representing an increase of 14%. The growth in revenue, which was mainly attributable to increased licence fees from Malaysia, Singapore and Mainland China, was offset by the increase in operating costs, principally staff costs and promotion expenses. As a result, this segment recorded a profit of HK$639 million (2012: HK$612 million), representing an increase of 4%.

Revenue from overseas pay TV operations which comprised revenue from our pay TV platforms in North America (USA), Australia and Europe, decreased from HK$389 million to HK$308 million, representing a decrease of 21%. The segmental profit recorded a decline of HK$69 million to HK$14 million (2012: HK$83 million), representing a decrease of 83%, due mainly to the adverse impact on subscription revenue caused by pirated TV channels overseas, which was offset by decrease in direct costs, mainly programme and transmission costs.

Revenue from Taiwan operations which comprised both subscription and advertising revenue from distribution of the TVBS channels remained at HK$834 million, a level achieved in 2012. Increase in programme production costs, staff costs and depreciation contributed to an overall increase in operating costs. For the year, the segmental profit decreased from HK$276 million to HK$246 million, representing a decrease of 11%.

Revenue from channel operations which comprised revenue from TVB8 and Xing He, the Group's satellite TV channel operations, increased from HK$116 million to HK$132 million, representing an increase of 14%. The segmental profit increased from HK$30 million to HK$44 million, representing an increase of 43%, which was mainly caused by the growth in revenue, offset by increase in operating costs.

Revenue from Hong Kong digital media and other businesses which comprised revenue from Internet operations, magazine publishing and production of musical works, recorded an increase from HK$190 million to HK$222 million, representing an increase of 17%. Benefitting from the satisfactory contribution from the Internet operations, the segmental profit increased from HK$36 million to HK$52 million, representing an increase of 43%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a strong financial position as at 31 December 2013. Total equity stood at HK$8,427 million (2012: HK$7,831 million), representing an increase of 8%. At 31 December 2013, the capital structure of the Company comprising 438,000,000 ordinary shares of HK$0.05 each, and there has been no change in the share capital of the Company during the year.

At 31 December 2013, the Group had unpledged bank and cash balances of HK$2,900 million (2012: HK$3,604 million), representing a decrease of 20%. Out of the unpledged bank and cash balances, 33% were in Hong Kong dollars, 31% in US dollars, 30% in Renminbi and 6% in other currencies. About 13% of the unpledged bank and cash balances (approximately HK$385 million) were maintained in overseas subsidiaries for their daily operations. Cash not immediately required for operations is placed as time deposits with banks and short term certificates of deposit.

Trade receivables from third parties amounted to HK$1,519 million (2012: HK$1,420 million) increased by 7% over the last year end because of the additional trade debts from TVBC which started its business in the second half of 2012. Special provision has been made, where appropriate, to cover any potential bad and doubtful debts.

At 31 December 2013, the Group's net current assets amounted to HK$4,657 million (2012: HK$4,469 million), representing an increase of 4%. The current ratio, expressed as the ratio of current assets to current liabilities decreased to 3.8 at 31 December 2013 (2012: 4.0).

During the year, the Group's total borrowings increased by 23% to HK$252 million (2012: HK$205 million), which relates to the financing for the headquarters in Taiwan, a secured bank loan denominated in New Taiwan dollars and floating interest bearing, and for the purchases of certificates of deposit, a secured bank loan denominated in US dollars and fixed interest bearing. At 31 December 2013, all the Group's borrowings will mature within one year. At 31 December 2013, the gearing ratio, expressed as a ratio of gross debts to total equity, was 3.0% (2012: 2.6%).

At 31 December 2013, certain assets of a subsidiary of the Group with net asset value of HK$776 million were pledged to secure loans and banking facilities granted to that subsidiary. In addition, bank deposits and cash kept at banks of HK$32 million were pledged to secure banking and credit facilities granted to certain subsidiaries of the Group. Certificates of deposit of HK$382 million and bank deposits of HK$19 million were pledged to secure bank loans granted to the Company.

The capital commitments of the Group at 31 December 2013 were HK$1,245 million (2012: HK$1,571 million).

TAX AUDIT

In 2004, the IRD initiated a tax audit on the Group. Since then, the Group has received protective profits tax assessment notices from the IRD for the nine consecutive years of assessment from 1998/99 to 2006/07 relating to the profits generated by the Group's programme licensing and distribution business carried out overseas, to which the Group has objected. Of the total additional tax demanded in these assessments, the Group had been granted conditional holdovers by the purchase of tax reserve certificates in the amounts of HK$24 million, HK$24 million, HK$20 million, HK$35 million, HK$49 million, HK$54 million, HK$56 million, HK$57 million and HK$50 million for the nine consecutive years of assessment from 1998/99 to 2006/07 respectively. The total amount of tax reserve certificates purchased by the Group is HK$369 million. Similar additional assessments may be issued for subsequent years of assessment.

The Group has been in discussion with the IRD with a view to resolving the dispute for the entire period from 1998/99 up to 2012/13. As of 31 December 2013, the Group has made a total provision of HK$358 million against the potential tax exposures for the years of assessment from 1998/99 to 2012/13. The tax provision is considered to be adequate.

The Group will continue to monitor the progress of the tax audit and vigorously defend the Group's position. Due to the uncertainty inherent in the tax audit, the outcome of the tax dispute could be different from the amounts provided; such difference would impact the income tax provisions in the year in which any determination is made.

CONTINGENT LIABILITIES

At 31 December 2013, there were guarantees given to banks amounting to HK$9 million (2012: HK$10 million) for banking facilities granted to an investee company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

The Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 5,070 (2012: 4,681) full-time employees at 31 December 2013.

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

For Hong Kong employees, discretionary bonuses may be awarded as an incentive for better performance. All qualified personnel received discretionary bonuses between 1.25 and 2.25 of their monthly basic salaries for the year 2013.

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.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$2.00 per share for the 438,000,000 ordinary shares in issue in respect of the year ended 31 December 2013. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 15 May 2014 ("2014 AGM"), the final dividend will be paid to shareholders whose names are recorded on the Register of Members of the Company on 22 May 2014. Dividend warrants will be despatched to shareholders on or around 30 May 2014.

Together with an interim dividend of HK$0.60 per share paid on 4 October 2013, the total dividend for the year will amount to HK$2.60 per share (2012: HK$2.60 per share).

CLOSURE OF REGISTER OF MEMBERS

First Book Close

The Register of Members of the Company will be closed from Tuesday, 22 April 2014 to Thursday, 15 May 2014, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' attendance and voting entitlement at the 2014 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 2014 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 Thursday, 17 April 2014.

Second Book Close

The Register of Members of the Company will be re-opened on Friday, 16 May 2014 and then will be closed again from Wednesday, 21 May 2014 to Thursday, 22 May 2014, 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 Tuesday, 20 May 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted its own code on corporate governance, the TVB Code on Corporate Governance ("TVB CG Code"). The TVB CG Code summarises the corporate governance practices adopted by the Board. These practices are in line with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (including all code provisions and certain recommended best practices in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules). Further updates to the TVB CG Code has been made from time-to-time to reflect changes in code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules ("CG Code").

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

On 21 August 2013, the Board approved certain amendments to the TVB CG Code to align with a new requirement under the code provision requiring listed companies to adopt a policy on board diversity.

The Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2013, save for the following.

In respect of compliance with code provision A.6.7 of the CG Code, the Company noted that three Directors were not able to attend the annual general meeting of the Company held on 22 May 2013 due to prior engagements.

In respect of compliance with code provision D.1.4 of the CG Code, the Company noted that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Although there was no formal letter of appointment entered into between the Company and each of the Non-executive Directors, all Directors of the Company are subject to retirement and election/re-election in accordance with the Company's articles of association. In early 2013, the Company issued letters of appointment to document the key terms of their appointment for each of the Directors. Therefore, the Company now complies with D.1.4 of the CG Code.

In order to comply with a new code provision under the Listing Rules which became effective on 1 September 2013, the Board approved a policy on board diversity ("Board Diversity Policy") on 21 August 2013. 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.

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

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

All Directors and members of Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee comprises three members, Mr. Gordon Siu Kwing Chue (Chairman), Mr. Chien Lee and Mr. Kevin Lo Chung Ping, the majority of whom are Independent Non-executive Directors of the Company. The Audit Committee members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise.

The Audit Committee has reviewed with Management and the Group's auditor, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual consolidated financial statements for the year ended 31 December 2013 before such statements were presented to the Board for approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the Company's website at www.corporate.tvb.com and the designated issuer website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The Company's 2013 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in April 2014.

ANNUAL GENERAL MEETING

The 2014 AGM of the Company will be held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Thursday, 15 May 2014.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 26 March 2014

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

Executive Directors

Dr. Norman LEUNG Nai Pang GBS, LLD, JP, Executive Chairman
Mark LEE Po On Group General Manager

Non-executive Directors

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

Independent Non-executive Directors

Dr. CHOW Yei Ching GBS
Edward CHENG Wai Sun SBS, JP
Chien LEE
Gordon SIU Kwing Chue GBS, JP
Raymond OR Ching Fai SBS, JP

Alternate Directors

Dr. Allan YAP Alternate Director to Dr. Charles CHAN Kwok Keung
Harvey CHANG Hsiao Wei Alternate Director to Cher WANG Hsiueh Hong
SUN Tao Alternate Director to Jonathan Milton NELSON