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Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2014 ANNUAL RESULTS

RESULTS HIGHLIGHTS:

- Group's turnover increased by 2%, from HK\$5,686 million to HK\$5,773 million.
- The Group absorbed the high costs of the 2014 FIFA World Cup Brazil™ which increased the cost of sales by 10%, from HK\$2,221 million to HK\$2,453 million.
- Profit attributable to equity holders decreased by 19% from HK\$1,738 million to HK\$1,410 million.
- Notwithstanding the reduction in the profit attributable to equity holders for the year, a final dividend of HK\$2.00 per share (2013: HK\$2.00 per share) was recommended, making a total dividend of HK\$2.60 per share (2013: HK\$2.60 per share) for the year.
- Based on the disposal of 53% of the Group's shareholding interests in Liann Yee Production Co., Ltd. announced in January 2015, a special dividend of HK\$2.30 per share was further recommended which was based on the net proceeds from the Disposal (after deducting all expenses arising from and/or incidental to the Disposal and all applicable taxes payable from the total consideration).

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 2014 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	2	5,773,168	5,686,050
Cost of sales		(2,452,725)	(2,221,333)
Gross profit		3,320,443	3,464,717
Other revenues	2	81,209	67,525
Selling, distribution and transmission costs		(656,985)	(626,109)
General and administrative expenses		(838,900)	(735,247)
Other (losses)/gains, net	5	(86,365)	6,907
Finance costs	6	(3,534)	(2,268)
Share of losses of joint ventures		(7,134)	(2,252)
Share of losses of associates		(72,382)	(52,658)
Profit before income tax	4	1,736,352	2,120,615
Income tax expense	7	(316,757)	(358,426)
Profit for the year		1,419,595	1,762,189
Profit attributable to:			
Equity holders of the Company		1,409,632	1,737,987
Non-controlling interests		9,963	24,202
		1,419,595	1,762,189
Earnings per share (basic and diluted) for profit attributable to equity holders of the Company during the year	8	HK\$3.22	HK\$3.97
Dividends	9	2,146,200	1,138,800

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		As at 31 December	
	Note	2014	2013
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,068,165	3,105,052
Investment properties		10,202	13,595
Land use rights		66,378	69,834
Goodwill		115,643	171,730
Interests in joint ventures		44,909	13,281
Interests in associates	10	530,786	599,715
Available-for-sale financial assets		3	3
Deferred income tax assets		23,529	28,369
Prepayments	11	39,893	–
Total non-current assets		3,899,508	4,001,579
Current assets			
Programmes and film rights		761,863	461,945
Stocks		10,674	11,957
Trade and other receivables, prepayments and deposits	11	2,538,940	2,481,751
Tax recoverable		5,074	10,772
Held-to-maturity financial assets		–	381,582
Restricted cash		9,039	51,151
Bank deposits maturing after three months		135,676	291,045
Cash and cash equivalents		3,195,869	2,609,393
Total current assets		6,657,135	6,299,596
Total assets		10,556,643	10,301,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2014

	Note	As at 31 December 2014 HK\$'000	2013 HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital, nominal value		–	21,900
Other statutory capital reserves	14	–	642,144
Share capital and other statutory capital reserves		664,044	664,044
Other reserves	14	159,241	201,110
Retained earnings			
– Proposed dividends		1,883,400	876,000
– Others		5,818,734	6,573,565
		8,525,419	8,314,719
Non-controlling interests		178,927	112,108
Total equity		8,704,346	8,426,827
LIABILITIES			
Non-current liabilities			
Borrowings	12	293,700	–
Deferred income tax liabilities		181,080	190,681
Retirement benefit obligations		34,628	41,429
Total non-current liabilities		509,408	232,110
Current liabilities			
Trade and other payables and accruals	13	793,019	938,815
Current income tax liabilities		451,970	451,066
Borrowings	12	97,900	252,357
Total current liabilities		1,342,889	1,642,238
Total liabilities		1,852,297	1,874,348
Total equity and liabilities		10,556,643	10,301,175
Net current assets		5,314,246	4,657,358
Total assets less current liabilities		9,213,754	8,658,937

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. They have been prepared under the historical cost convention, except that the financial assets are stated at their fair values.

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

New or revised standards adopted by the Group

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

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

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

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

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

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 business and other related activities.

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

Other revenues comprise mainly interest income.

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

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

3. Segment information

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

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

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

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

3. Segment information (continued)

	Hong Kong 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	<u>3,322,179</u>	<u>1,072,096</u>	<u>307,575</u>	<u>834,007</u>	<u>132,332</u>	<u>221,595</u>	<u>(203,734)</u>	<u>5,686,050</u>
Reportable segment profit	<u>1,181,985</u>	<u>638,742</u>	<u>13,709</u>	<u>245,787</u>	<u>43,564</u>	<u>51,738</u>	<u>–</u>	<u>2,175,525</u>
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*	<u>479,939</u>	<u>3,523</u>	<u>10,271</u>	<u>100,662</u>	<u>799</u>	<u>20,507</u>	<u>–</u>	<u>615,701</u>

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

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

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

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

3. Segment information (continued)

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

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

4. Profit before income tax

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

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

5. Other (losses)/gains, net

	2014 HK\$'000	2013 HK\$'000
Net loss on liquidation of subsidiaries	(71,706)	–
Net exchange (loss)/gain	(14,659)	6,907
	<u>(86,365)</u>	<u>6,907</u>

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

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

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

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

6. Finance costs

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

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

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

7. Income tax expense (continued)

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

8. Earnings per share

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

9. Dividends

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

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

10. Interests in associates

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

Notes:

- (a) The loan to an associate carries interest at the rate of 1-month HIBOR plus 0.25%. The loan was repayable by 7 installments from 2016 to 2022.
- (b) In addition to the loan described in (a), the Group has trade receivables from associates of HK\$537,177,000 (2013: HK\$449,960,000) as disclosed in Note 11. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 11) to assess whether there is any potential impairment.
- (c) The carrying amount of the loan to the associate approximates its fair value, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a rate based on 1-month HIBOR plus 0.25% and is included in level 2 fair value hierarchy.

11. Trade and other receivables, prepayments and deposits

	2014	2013
	HK\$'000	HK\$'000
Non-current		
Prepayments related to capital expenditure	39,893	—
Current		
Trade receivables from:		
Associates	537,177	449,960
Related parties	42,691	66,124
Third parties (note)	1,550,881	1,518,895
	2,130,749	2,034,979
Less: provision for impairment loss on receivables from:		
Associates	(421,626)	(421,626)
Third parties	(72,754)	(99,441)
Amounts due from joint ventures	2,256	—
Other receivables, prepayments and deposits	478,243	598,369
Tax reserve certificates	422,072	369,470
	2,538,940	2,481,751
	2,578,833	2,481,751

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.

11. Trade and other receivables, prepayments and deposits (continued)

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

	2014	2013
	HK\$'000	HK\$'000
Current	563,503	634,561
1-2 months	341,718	357,810
2-3 months	251,162	264,226
3-4 months	203,377	168,395
4-5 months	83,649	73,401
Over 5 months	687,340	536,586
	2,130,749	2,034,979
Trade receivables due from:		
Third parties	1,550,881	1,518,895
Associates and related parties	579,868	516,084
	2,130,749	2,034,979

12. Borrowings

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

13. Trade and other payables and accruals

	2014 HK\$'000	2013 HK\$'000
Trade payables to:		
Associates	–	135
Related parties	6,007	9,443
Third parties	134,075	131,095
	<u>140,082</u>	<u>140,673</u>
Amounts due to a joint venture	1	–
Receipts in advance, deferred income and customers' deposits	124,703	155,794
Provision for employee benefits and other expenses	276,631	328,075
Accruals and other payables	251,602	314,273
	<u>793,019</u>	<u>938,815</u>

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

	2014 HK\$'000	2013 HK\$'000
Current	109,530	93,983
1-2 months	25,054	34,176
2-3 months	3,497	9,652
3-4 months	690	767
4-5 months	176	1,222
Over 5 months	1,135	873
	<u>140,082</u>	<u>140,673</u>

14. Other statutory capital reserves and other reserves

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

15. Event subsequent to the year end

The Company announced that on 29 January 2015, TVB Investment Limited (“TVBI”) and Countless Entertainment (Taiwan) Company Ltd. (“Countless”), both wholly-owned subsidiaries of the Company, entered into the conditional Disposal Agreement with Li Mao Investment Co. Ltd., De En Investment Co. Ltd. and Lien Xin Investment Co. Ltd., pursuant to which TVBI and Countless agreed to conditionally sell respectively 47% and 6% of the shareholding in Liann Yee Production Co., Ltd. for a total consideration of NT\$4,695,000,000 (representing approximately HK\$1,149,101,250).

CHAIRMAN'S STATEMENT

Dr. Charles Chan Kwok Keung

Chairman

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

RESULTS AND DIVIDENDS

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

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

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

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

BUSINESS REVIEW

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

costs as a result of the World Cup, we reined in expenditure during the second half of the year – an important step that we, as a responsible operator, undertook to keep costs under control. Despite the high costs, we shall continue to bring key international sports events to our audience. We are proud that TVB has been appointed as the official broadcaster of the Rio 2016 Olympic Games in Brazil.

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

BUSINESS DEVELOPMENT AND OUTLOOK

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

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

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

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

GOVERNANCE

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

I would also like to sincerely thank my fellow directors for their guidance and support, and in particular, Mr. Kevin Lo Chung Ping, Mr. Chien Lee, Mr. Gordon Siu Kwing Chue, Mr. Edward Cheng Wai Sun and Dr. Chow Yei Ching who retired from the Board during 2014/15.

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

Charles Chan Kwok Keung
Chairman

Hong Kong, 31 March 2015

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

TV ADVERTISING

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

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

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

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

TERRESTRIAL TV CHANNELS PERFORMANCE

During 2014, TVB continued to lead the free TV market by attaining a majority of audience share in Hong Kong's free terrestrial TV market. The overall audience share¹ of TVB's terrestrial TV channels² against the total TV channels in Hong Kong, which include free and pay TV channels, during weekday prime time³ was 81%, against a share of 80% during the same period last year.

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

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

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

International Sports Events

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

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

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

A tailor-made mobile app, myWorldCup, was introduced as an on-the-go companion for soccer fans to offer the latest scoreboard, game schedules, teams' and players' statuses, and gaming entertainment for the audience. In addition, pre-paid VIP passes were introduced, allowing enthusiasts to enjoy exclusive access to the 64 live matches on myWorldCup; a replay of the matches and highlights telecast were also available on the mobile app for viewers to watch at their own time.

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

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

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

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

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

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

Jade Channel

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

Drama

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

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

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

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

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

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

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

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

Non-Drama

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

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

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

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

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

HD Jade Channel

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

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

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

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

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

J2 Channel

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

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

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

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

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

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

Pearl Channel

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

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

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

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

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

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

iNews Channel and News Programmes

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

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

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

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

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

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

Digitisation

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

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

CHANNELS FOR HONG KONG PAY TV PLATFORM

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

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

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

With selections from TVB's vast classic programme archive of the Hong Kong's biggest stars, TVB Classic continued to perform well and draw in good ratings. During 2014, the channel showcased a themed package featuring the early works of world-acclaimed actor Chow Yun Fat. Later in the year, it also repackaged the best drama performances of Roger Kwok and Charmaine Sheh to co-incide with their Best Actor and Best Actress wins; viewers enjoyed Kwok's powerful performance under the *Stardust Memories* series and Sheh's in *TVB Star Power*.

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

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

DIGITAL MEDIA BUSINESS

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

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

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

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

OTHER HONG KONG OPERATIONS

INVESTMENT IN HONG KONG PAY TV PLATFORM

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

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

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

The total interest in TVBPVH as of 31 December 2014 before any impairment losses was HK\$1,156 million (2013: HK\$1,138 million), which represented the total cost of investment, a long-term loan and trade receivable balances, less the accumulated share of losses. Management had undertaken a vigorous review of the amounts due from TVBPVH and concluded that no further provision for impairment was required to be made in the Group accounts as of 31 December 2014. Accordingly, after deducting the accumulated provision for impairment loss of HK\$510 million, the balance of the Group's total interest in TVBPVH stood at HK\$646 million as of 31 December 2014 (2013: HK\$628 million).

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

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

MAGAZINE BUSINESS

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

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

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

MOVIE PRODUCTION

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

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

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

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

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

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

The subscription business of our licensees was seriously affected by the rapid development of new media technology in Malaysia and Singapore. The younger generation turned away from conventional pay TV as many contents could be accessed free of charge through the Internet, albeit illegally. In addition, the proliferation of OTT boxes, which allow users to access our contents without authorisation, also affected the licensing business. Apart from liaising with government authorities to curb illegal downloading and the influx of OTT boxes, we also adopted a more flexible marketing strategy by releasing new TVB dramas to subscribers of MEASAT and StarHub's basic packages in the hope that this would stop such subscribers from downloading TVB contents illegally. The strategy successfully retained subscribers, but the subscription revenue of premium or video-on-demand services was inevitably affected.

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

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

China Operations

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

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

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

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

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

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

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

TAIWAN OPERATIONS

TVBS – Taiwan

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

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

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

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

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

OVERSEAS PAY TV OPERATIONS

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

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

North America (USA)

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

Australia

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

Europe

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

CHANNEL OPERATIONS

TVB8 and Xing He Channels

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

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

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

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

COMBATING PIRACY

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

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

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

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

FINANCIAL REVIEW

OVERVIEW

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

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

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

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

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

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

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

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

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

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

SEGMENT RESULTS

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

TAX AUDIT

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

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

FINANCIAL GUARANTEES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

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

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

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

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

The Group does not operate any employee share option scheme.

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

FINAL DIVIDEND AND SPECIAL DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

First Book Close

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

During the First Book Close Period, no transfer of shares will be registered. In order to qualify for shareholders’ attendance and voting entitlement at the 2015 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 April 2015.

Second Book Close

The Register of Members of the Company will be re-opened on Thursday, 21 May 2015 and then will be closed again from Wednesday, 27 May 2015 to Thursday, 28 May 2015, both dates inclusive, (“Second Book Close Period”) for the purpose of determining shareholders’ entitlement to the final dividend and the special dividend.

During the Second Book Close Period, no transfer of shares will be registered. In order to qualify for entitlement to the final dividend and the special dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

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 Corporate Governance Code (“TVB CG Code”). The TVB CG Code summarises the corporate governance practices adopted by the Board. These practices are in line with the requirements of the 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.

The Company was in compliance with the code provisions of the CG Code during the year ended 31 December 2014, save for the fact that three Directors were not able to attend the annual general meeting of the Company held on 15 May 2014 due to prior engagements in respect of code provision A.6.7 of the CG Code.

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.

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

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

AUDIT COMMITTEE

The Audit Committee comprises three members, Dr. William Lo Wing Yan (Chairman), Mr. Anthony Lee Hsien Pin and Dr. Raymond Or Ching Fai, the majority of whom are Independent Non-executive Directors of the Company and is chaired by an Independent Non-executive Director. They are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise.

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual consolidated financial statements for the year ended 31 December 2014 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 2014 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 2014 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 2015.

ANNUAL GENERAL MEETING

The 2015 AGM of the Company will be held in TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 20 May 2015.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 31 March 2015

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

Chairman and Non-executive Director

Dr. Charles CHAN Kwok Keung

Executive Directors

Mark LEE Po On Group Chief Executive Officer

CHEONG Shin Keong General Manager

Non-executive Directors

Mona FONG

Cher WANG Hsiueh Hong

Jonathan Milton NELSON

Anthony LEE Hsien Pin

CHEN Wen Chi

Independent Non-executive Directors

Dr. Raymond OR Ching Fai SBS, JP

Dr. William LO Wing Yan JP

Alternate Directors

Dr. Allan YAP Alternate Director to Dr. Charles CHAN Kwok Keung

Harvey CHANG Hsiao Wei Alternate Director to Cher WANG Hsiueh Hong

Jessica Huang POULEUR Alternate Director to Jonathan Milton NELSON