Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2015 ANNUAL RESULTS

2015 RESULTS HIGHLIGHTS

- Revenue from continuing operations decreased from HK$4,912 million to HK$4,455 million, a decrease of 9%.

- Total costs (excluding non-recurring cost items) from continuing operations increased from HK$3,335 million to HK$3,439 million, an increase of 3%.

- Operating profit before deducting (i) exchange losses on Renminbi fixed term deposits of HK$42 million, and (ii) impairment loss on property in the amount of HK$88 million relating to the cessation of construction of new production studios and related facilities in Hong Kong, as highlighted in the consolidated income statement, decreased from HK$1,569 million to HK$1,006 million, a decrease of 36%.

- A gain of HK$1,396 million (as announced in the interim results announcement) and the related taxes of HK$53 million and HK$111 million were recognised, under discontinued operations, upon completion of the disposal of Liann Yee Group.

- A total impairment loss of HK$695 million was recognised during the year (including the impairment loss of HK$654 million already announced in the interim results announcement), representing 100% of the Group's net interest in an associate engaging in Hong Kong pay TV business at 31 December 2015.

- As a result, profit attributable to equity holders from continuing and discontinued operations decreased from HK$1,410 million to HK$1,331 million, a decrease of 6%. Earnings per share from continuing and discontinued operations decreased from HK$3.22 to HK$3.04.

- A final dividend of HK$2.00 per share (2014: HK$2.00 per share) was recommended, making a total dividend of HK$2.60 per share (2014: HK$2.60 per share) for the year.

2016 OUTLOOK

By way of guidance, the Group forecasts the following adverse impact to the consolidated income statement for the year ending 31 December 2016:

- Based on the latest assessment of the level of commitments from advertisers received and the spending pattern of advertisers in the first quarter of 2016, the revenue outlook under Hong Kong TV channels in 2016 remains weak. Should this condition prevail, the 2016 reportable segment profit under Hong Kong terrestrial TV broadcasting will continue to deteriorate. However, the Board believes that the advertising market should resume normal growth in 2017 after a period of consolidation.

- As previously indicated, TVB shall broadcast the Rio 2016 Olympic Games in the summer. The programme costs will be expensed during 2016. Despite efforts made to seek advance commitments from advertisers for this event, the Group estimates that there is likely to be an under-recovery of costs for this Olympic broadcast in the region of HK$150 million. Management is reviewing the Group's policy of broadcasting major sporting events and under-recovery of significant programme costs will unlikely recur in the future.

- myTV SUPER OTT service will be officially launched in April 2016. The start-up deficit for the first year relating to this new business is likely to be around HK$100 million. The Board is however confident on the prospects of this new business based on the current cooperation with our business partners, Hutchison Telecommunications and Hong Kong Broadband. The Board trusts that by November 2017, TVB's 50th Anniversary, the subscribed number of screens through our myTV SUPER OTT boxes and mobile apps will exceed 1,400,000.

The disposal of the remaining 47% equity interest in the Liann Yee Group (as announced on 4 January 2016) has been completed on 10 March 2016. Proceeds of NT$4,343 million (approximately HK$1,017 million) has duly been received. The Board does not intend to declare a special dividend in relation to this proceeds. However, the Group will utilise the proceeds from this transaction for maintaining a steady dividend policy in the foreseeable future.

The Board of Directors is providing the above guidance based on the latest available information, and shall provide an update of the outlook of 2016 upon release of the interim results in August 2016.

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 2015 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000 (Restated)
Continuing operations			
Revenue	3	**4,454,725**	4,912,061
Cost of sales		**(2,009,187)**	(2,016,098)
Gross profit		**2,445,538**	2,895,963
Other revenues	3	**75,330**	75,251
Selling, distribution and transmission costs		**(576,754)**	(555,883)
General and administrative expenses		**(853,477)**	(763,254)
Other losses, net	6	**(84,657)**	(83,436)
		1,005,980	1,568,641
Exchange losses on Renminbi fixed term deposits		**(42,136)**	(4,109)
Impairment loss on property		**(87,955)**	–
Operating profit		**875,889**	1,564,532
Finance costs	7	**(6,441)**	(2,763)
Share of losses of joint ventures		**(15,143)**	(7,134)
Share of losses of associates		**(32,766)**	(72,382)
Impairment loss on loan to and amount due from an associate		**(695,099)**	–
Profit before income tax	5	**126,440**	1,482,253
Income tax expense	8	**(143,952)**	(220,935)
(Loss)/profit for the year from continuing operations		**(17,512)**	1,261,318

CONSOLIDATED INCOME STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015**	2014
		HK$'000	HK$'000
			(Restated)
Discontinued operations			
Profit for the year from discontinued operations		**103,136**	158,277
Tax on dividend distributed prior to completion of disposal		**(52,726)**	–
Gain on disposal of discontinued operations		**1,395,770**	–
Deferred tax in relation to gain from disposal		**(110,676)**	–
	13	**1,335,504**	158,277
Profit for the year		**1,317,992**	1,419,595
Profit/(loss) attributable to:			
Equity holders of the Company			
– Continuing operations		**(4,281)**	1,251,355
– Discontinued operations		**1,335,504**	158,277
		1,331,223	1,409,632
Non-controlling interests			
– Continuing operations		**(13,231)**	9,963
		1,317,992	1,419,595
Earnings/(loss) per share (basic and diluted) for profit/(loss) attributable to equity holders of the Company during the year			
– Continuing operations	9	**HK$(0.01)**	HK$2.86
– Discontinued operations	9	**HK$3.05**	HK$0.36
		HK$3.04	HK$3.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	HK$'000
		(Restated)
Profit for the year	**1,317,992**	1,419,595
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligations recognised directly in other comprehensive income	**–**	2,071
Tax effect of remeasurement of defined benefit obligations recognised directly in other comprehensive income	**–**	(352)
	–	1,719
Item that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**(48,517)**	(87,264)
– Joint ventures	**(34)**	(35)
Reclassification adjustment to profit or loss on disposal/liquidation of subsidiaries	**7,531**	25,436
	(41,020)	(61,863)
Other comprehensive income for the year, net of tax	**(41,020)**	(60,144)
Total comprehensive income for the year	**1,276,972**	1,359,451
Total comprehensive income attributable to:		
Equity holders of the Company		
– Continuing operations	**(61,553)**	1,210,299
– Discontinued operations	**1,361,709**	139,201
	1,300,156	1,349,500
Non-controlling interests		
– Continuing operations	**(23,184)**	9,951
Total comprehensive income for the year	**1,276,972**	1,359,451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	**2015** **HK$'000**	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,687,364**	3,068,165
Investment properties		**684,309**	10,202
Land use rights		**59,948**	66,378
Intangible assets		**26,976**	115,643
Interests in joint ventures		**29,633**	44,909
Interests in associates	11	**–**	530,786
Available-for-sale financial assets		**47,436**	3
Deferred income tax assets		**37,299**	23,529
Loan and receivables		**142,505**	–
Prepayments	12	**55,529**	39,893
Total non-current assets		**2,770,999**	3,899,508
Current assets			
Programmes, film rights and movies		**739,655**	761,863
Stocks		**12,449**	10,674
Trade and other receivables, prepayments and deposits	12	**1,866,517**	2,538,940
Tax recoverable		**19,642**	5,074
Restricted cash		**1,825**	9,039
Bank deposits maturing after three months		**691,387**	135,676
Cash and cash equivalents		**2,125,975**	3,195,869
Non-current asset held for sale	13(a)	**884,854**	–
Total current assets		**6,342,304**	6,657,135
Total assets		**9,113,303**	10,556,643

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2015

	Note	**2015**	2014
		HK$'000	HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves	16	**(22,905)**	159,241
Retained earnings		**7,039,291**	7,702,134
		7,680,430	8,525,419
Non-controlling interests		**155,743**	178,927
Total equity		**7,836,173**	8,704,346
LIABILITIES			
Non-current liabilities			
Borrowings	14	**234,850**	293,700
Deferred income tax liabilities		**321,776**	181,080
Retirement benefit obligations		**–**	34,628
Total non-current liabilities		**556,626**	509,408
Current liabilities			
Trade and other payables and accruals	15	**686,197**	793,019
Current income tax liabilities		**34,307**	451,970
Borrowings	14	**–**	97,900
Total current liabilities		**720,504**	1,342,889
Total liabilities		**1,277,130**	1,852,297
Total equity and liabilities		**9,113,303**	10,556,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Key events

On 6 May 2015, the Group completed the disposal of its 53% equity interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group") for a cash consideration of NT$4,695,000,000 (approximately HK$1,182,144,000). A disposal gain of HK$1,395,770,000, which was made up of a gain on disposal of the 53% equity interest of HK$851,621,000 and a gain on the retained equity interest of 47% of HK$544,149,000, was recognised during the year. Details of this disposal were set out in Note 13 to the consolidated financial statements.

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

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

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

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

2. Basis of preparation

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

2. Basis of preparation (continued)

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. Revenue and other revenues

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

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

Other revenues comprise mainly interest income.

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

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

4. Segment information

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

The segment information reported below does not include any amounts related to the operations of Liann Yee Group, which are described in Note 13.

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

	Hong Kong TV broadcasting HK$'000	Hong Kong digital new media business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
Continuing operations								
For the year ended 31 December 2015								
Revenue								
External customers	**3,059,037**	**166,384**	**828,214**	**185,597**	**98,738**	**116,755**	**–**	**4,454,725**
Inter-segment	**46,219**	**3,728**	**122,849**	**284**	**5,809**	**12,422**	**(191,311)**	**–**
Total	**3,105,256**	**170,112**	**951,063**	**185,881**	**104,547**	**129,177**	**(191,311)**	**4,454,725**
Reportable segment profit before non-recurring expenses	**551,142**	**41,340**	**410,354**	**(30,661)**	**17,309**	**11,055**	**(1,000)**	**999,539**
Exchange losses on Renminbi fixed term deposits	**(42,136)**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,136)**
Impairment loss on property	**(87,955)**	**–**	**–**	**–**	**–**	**–**	**–**	**(87,955)**
Impairment loss on loan to and amount due from an associate (Note 11 and 12)	**(695,099)**	**–**	**–**	**–**	**–**	**–**	**–**	**(695,099)**
Reportable segment profit after non-recurring expenses	**(274,048)**	**41,340**	**410,354**	**(30,661)**	**17,309**	**11,055**	**(1,000)**	**174,349**
Interest income	**42,509**	**634**	**9,286**	**209**	**–**	**1,874**	**–**	**54,512**
Finance costs	**–**	**–**	**–**	**–**	**–**	**(6,441)**	**–**	**(6,441)**
Depreciation and amortisation	**(235,673)**	**(15,234)**	**(6,561)**	**(4,503)**	**(509)**	**(18,794)**	**–**	**(281,274)**
Additions to non-current assets*	**264,610**	**42,081**	**9,736**	**778**	**4,626**	**1,441**	**–**	**323,272**

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

4. **Segment information** (continued)

	Hong Kong TV broadcasting HK$'000	Hong Kong digital new media business HK$'000	Programme licensing and distribution HK$'000	Overseas pay TV operations HK$'000	Channel operations HK$'000	Other activities HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2014 (restated)								
Revenue								
External customers	3,364,989	191,864	947,677	232,014	106,752	68,765	–	4,912,061
Inter-segment	55,426	3,720	137,204	11,207	18,290	6,162	(232,009)	–
Total	3,420,415	195,584	1,084,881	243,221	125,042	74,927	(232,009)	4,912,061
Reportable segment profit excluding gain/(loss) on liquidation of subsidiaries	947,066	66,223	617,645	(27,202)	32,412	(2,669)	–	1,633,475
Add/(less): gain/(loss) on liquidation of subsidiaries	–	–	993	(72,699)	–	–	–	(71,706)
Reportable segment profit including gain/(loss) on liquidation of subsidiaries	947,066	66,223	618,638	(99,901)	32,412	(2,669)	–	1,561,769
Interest income	53,635	1,083	4,884	108	–	2,448	–	62,158
Finance costs	(2,749)	–	–	–	–	(14)	–	(2,763)
Depreciation and amortisation	(232,054)	(11,230)	(4,789)	(6,533)	(201)	(5,101)	–	(259,908)
Additions to non-current assets*	272,364	17,834	17,983	4,688	113	8,114	–	321,096

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

4. Segment information (continued)

A reconciliation of reportable segment profit is provided as follows:

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

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

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

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

5. Profit before income tax

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

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

6. Other losses, net

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

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

7. Finance costs

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

8. Income tax expense

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

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

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

9. Earnings/(loss) per share

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

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

10. Dividends

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

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

11. Interests in associates

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

Notes:

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

(b) In addition to the loan described in (a), the Group has an amount due from associates of HK$615,251,000 (2014: HK$537,177,000) as disclosed in Note 12. The Group periodically reviews the aggregate exposures to associates (note (a) and Note 12) to assess whether there is any potential impairment.

As at 31 December 2015, additional impairment losses of HK$501,594,000 and HK$193,505,000 (Note 12) against the loan and amount due from TVB Network Vision Limited, with a total impairment loss of HK$695,099,000, were made in the consolidated financial statements for the year ended 31 December 2015. After making this impairment loss, the total net interests in TVB Pay Vision Holdings Limited ("TVBPVH") as of 31 December 2015, which represented the total cost of investment, a long-term loan and amount due less the accumulated share of losses and impairment, had been fully impaired.

12. Trade and other receivables, prepayments and deposits

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

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

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

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

13. Non-current asset held for sale and discontinued operations

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

(a) Non-current asset held for sale

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

(b) Analysis of the results of the discontinued operations

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

13. **Non-current asset held for sale and discontinued operations** (continued)

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

Notes:

(i) Totally a disposal gain of HK$1,395,770,000, represented by a gain on disposal of the equity interest of HK$851,621,000 and a gain on retained interest of HK$544,149,000, was recognised.

(ii) In view of a plan to repatriate the proceeds from the Second Disposal from Taiwan to Hong Kong in the form of dividend upon its completion, a deferred tax provision of HK$110,676,000 had been made in the consolidated financial statements for the year ended 31 December 2015.

(c) Disposal of subsidiaries

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

14. Borrowings

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

15. Trade and other payables and accruals

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

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

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

16. Other reserves

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

17. Event subsequent to the year end

On 4 January 2016, the Group entered into a conditional Disposal Agreement to conditionally sell the remaining 47% equity interest in Liann Yee Group. The transaction was completed on 10 March 2016.

CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG

Chairman

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

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

PERFORMANCE AND DIVIDENDS

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

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

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

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

Charles Chan Kwok Keung
Chairman

Hong Kong, 23 March 2016

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

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

TV ADVERTISING

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

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

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

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

TERRESTRIAL TV CHANNELS

TVB continued to maintain leadership in the free TV market with an overall average audience share[1] of TVB's terrestrial TV channels[2] against the total TV channels in Hong Kong, which include free and pay TV channels, during weekday prime time[3] of 82% (2014: 81%).

The five terrestrial TV channels provide round-the-clock programmes, including entertainment, news and information to viewers in Hong Kong. Jade has been positioned to target the mass audience and continues to serve as the station's flagship with its recent upgrade to super HD picture resolution. J2, with its upbeat image, targets the adultescent group. iNews continues to position itself as the only 24-hour free-to-air news channel in Hong Kong. Pearl, our English channel, is uniquely positioned to carry major blockbuster movies, dramas and documentaries, as well as news and news related information. In February 2016, we revamped HD Jade into J5, with a new channel position to target a new audience group seeking up-to-date information on the markets, with particular focuses on the financial and the property markets, which is an important audience segment. As a result, the simulcast arrangement of prime time drama between Jade and HD Jade has ceased. These distinctive channel strategies help us to market our airtime to advertisers.

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

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

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

2 TVB's terrestrial TV channels comprise Jade, J2, iNews, Pearl and HD Jade (recently renamed as J5).

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

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

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

HONG KONG DIGITAL NEW MEDIA BUSINESS

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

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

Our flagship app service myTV, a free content, advertising based service maintains a strong position and takes the lead in the Hong Kong video market with the number of unique browsers exceeding 2.7 million on a monthly basis. During the year, myTV, has undergone a major revamp aimed to boost viewership by offering additional live streaming for Jade and upgrading the interface to make it easier to navigate. The add-on content and new user interface supported by a user-friendly searching function for better content discovery received positive feedback from users. The revamp also provides cross-border access to the website tvb.com and the mobile apps between Hong Kong and Macau. In addition, a new pay subscription VOD service has been integrated into myTV to boost video consumption.

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

OTHER HONG KONG OPERATIONS

INVESTMENTS IN MOVIE BUSINESSES

Flagship Entertainment Group

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

Shaw Brothers Pictures

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

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

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

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

HONG KONG PAY TV PLATFORM

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

MUSIC ENTERTAINMENT

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

PUBLICATION

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

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

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Traditional and new markets

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

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

TVB programmes continue to attract viewers and to capture the attention of many overseas Chinese residing in these countries, against many well-received productions from Taiwan, Korea and Japan. Our businesses continued to be adversely affected by unauthorised Internet downloading and the growing influx of illegal OTT boxes carrying TVB's programmes. In Malaysia, the introduction of goods and services tax last year further dampened the overall business sentiment. For the long term development of our business, TVB has increased the programme production in Malaysia and Singapore in an effort to localise our programmes, further increasing their appeals to local viewers. During the year, programmes such as *Eating Well With Madam Wong In Singapore, All Things Girl, StarHub TVB Awards 2015* and *TVB Star Awards Malaysia 2015*, were produced to further strengthen our market position for Chinese programmes there.

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

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

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

Mainland China

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

OVERSEAS PAY TV OPERATIONS

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

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

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

North America (USA)

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

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

Australia

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

Europe

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

COMBATING PIRACY

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

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

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

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

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

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

CHANNEL OPERATIONS

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

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

TAIWAN OPERATIONS

TVBS – TAIWAN

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

Pursuant to the two disposal agreements dated 29 January 2015 and 4 January 2016, the Group will cease to hold any interest in Liann Yee Group. The two transactions were completed in May 2015 and March 2016 respectively.

FINANCIAL REVIEW

OVERVIEW

Continuing operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discontinued operations

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

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

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

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

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

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

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

Earnings per share

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

SEGMENT RESULTS

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

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

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

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

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

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

2016 OUTLOOK

By way of guidance, the Group forecasts the following adverse impact to the consolidated income statement for the year ending 31 December 2016:

- Based on the latest assessment of the level of commitments from advertisers received and the spending pattern of advertisers in the first quarter of 2016, the revenue outlook under Hong Kong TV channels in 2016 remains weak. Should this condition prevail, the 2016 reportable segment profit under Hong Kong terrestrial TV broadcasting will continue to deteriorate. However, the Board believes that the advertising market should resume normal growth in 2017 after a period of consolidation.

- As previously indicated, TVB shall broadcast the Rio 2016 Olympic Games in the summer. The programme costs will be expensed during 2016. Despite efforts made to seek advance commitments from advertisers for this event, the Group estimates that there is likely to be an under-recovery of costs for this Olympic broadcast in the region of HK$150 million. Management is reviewing the Group's policy of broadcasting major sporting events and under-recovery of significant programme costs will unlikely recur in the future.

- myTV SUPER OTT service will be officially launched in April 2016. The start-up deficit for the first year relating to this new business is likely to be around HK$100 million. The Board is however confident on the prospects of this new business based on the current cooperation with our business partners, Hutchison Telecommunications and Hong Kong Broadband. The Board trusts that by November 2017, TVB's 50th Anniversary, the subscribed number of screens through our myTV SUPER OTT boxes and mobile apps will exceed 1,400,000.

The disposal of the remaining 47% equity interest in the Liann Yee Group (as announced on 4 January 2016) has been completed on 10 March 2016. Proceeds of NT$4,343 million (approximately HK$1,017 million) has duly been received. The Board does not intend to declare a special dividend in relation to this proceeds. However, the Group will utilise the proceeds from this transaction for maintaining a steady dividend policy in the foreseeable future.

The Board of Directors is providing the above guidance based on the latest available information, and shall provide an update of the outlook of 2016 upon release of the interim results in August 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

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

FINANCIAL GUARANTEE

At 31 December 2015, there was guarantee given to a bank amounting to HK$7 million for banking facilities granted to an investee company (2014: HK$22 million granted to an investee company and a joint venture).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

HUMAN RESOURCES

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

For employment in Hong Kong, different pay schemes apply to contract artistes, sales and non-sales personnel. Contract artistes are paid either on a per-show basis or by a package of shows basis. Sales personnel are remunerated on commission based schemes. Non-sales personnel are remunerated on a monthly salaries basis. About 4% of the Group's manpower was employed in overseas subsidiaries, and was paid on scales and systems relevant to the respective localities and legislations.

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

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

DIVIDENDS

Based on the full-year results, the Directors have recommended a final dividend of HK$2.00 per share to shareholders. Together with the interim dividend of HK$0.60 per share paid on 6 October 2015, this will give a total of HK$2.60 per share for the full year ended 31 December 2015. In addition, the Company, based on the disposal of 53% in the shareholding in Liann Yee Group, had paid a special dividend of HK$2.30 per share on 8 June 2015.

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

CLOSURE OF REGISTER OF MEMBERS

First Book Close

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

During the First Book Close Period, no transfer of shares will be registered. In order to qualify for shareholders' attendance and voting entitlement at the 2016 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 3 May 2016.

Second Book Close

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

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

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

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

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

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

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.

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

AUDIT COMMITTEE

The Audit Committee has three members, namely 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. Members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise.

The Audit Committee has reviewed with Management 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 2015 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 2015 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

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Company 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 2015 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 2016.

ANNUAL GENERAL MEETING

The 2016 AGM of the Company will be held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 25 May 2016.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 23 March 2016

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
Jonathan Milton NELSON
Anthony LEE Hsien Pin
CHEN Wen Chi
Thomas HUI To

Independent Non-executive Directors
Dr. Raymond OR Ching Fai SBS, JP
Dr. William LO Wing Yan JP
Professor Caroline WANG Chia-Ling
Dr. Allan ZEMAN GBM, GBS, JP

Alternate Directors
Harvey CHANG Hsiao Wei Alternate Director to CHEN Wen Chi
Jessica Huang POULEUR Alternate Director to Jonathan Milton NELSON