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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 2021 INTERIM RESULTS

RESULTS HIGHLIGHTS

For the six months ended 30 June 2021 (the “Period”):

- Total revenue of the Group increased from HK\$1,226 million to HK\$1,248 million, an increase of 2%, mainly due to a 31% increase in advertising income from Hong Kong TV Broadcasting.
- Total costs decreased from HK\$1,646 million to HK\$1,597 million, a reduction of 3%.
- Adjusted EBITDA improved from negative HK\$210 million to negative HK\$140 million.
- Loss attributable to equity holders of the Company was HK\$284 million (2020: Loss of HK\$293 million). Loss per share was HK\$0.65 (2020: Loss per share of HK\$0.67). Excluding the wage subsidies under the Government’s Employment Support Scheme of 2020¹, the loss attributable to equity holders of the Company improved by HK\$43 million or 13%.
- No interim dividend was declared by the Board (2020: nil).

BUSINESS HIGHLIGHTS

- Advertising income from Hong Kong TV Broadcasting reported an encouraging 31% increase from HK\$351 million to HK\$460 million. TVB’s five digital channels, in aggregate, averaged a prime time rating of 25.2 TVRs, representing a 78% audience share against all channels in Hong Kong, which was significantly higher than all other domestic free TV operators. TVB maintained a substantial lead in the market with its 85% audience share in young audience group and 88% audience share among the high income group.

¹ Wage subsidies under the Government’s Employment Support Scheme of 2020 of HK\$34 million were booked.

- The Group strengthened its senior management over variety programme production by the appointments of Tsang Chi Wai (曾志偉) and Wong Cho Lam (王祖藍), two high-profile veterans in entertainment, with extensive experience in content creation and live streaming e-commerce in Hong Kong and mainland China, as well as well-connected resources in the entertainment field.
- A number of successful hit variety programmes were created. Notably, reality singing competition series *Stars Academy* (聲夢傳奇) gave a head start to 15 talented young winners and contestants for a career in performance. This series drew an exceptional reception during the contest from an equally young fans group. Besides, variety series *Dub-of-War* (好聲好戲) and *Top Sales* (識貨) attracted good viewerships at the weekday late prime time slots.
- Development of the Group's direct-to-consumers businesses continued. Proportion of direct-to-consumers non-advertising revenue out of total revenue grew from 14% in 2020 to 16% in 2021.
- myTV SUPER registered users further increased from 8.6 million to 9.5 million as of 30 June 2021, an 11% growth. Subscription revenue increased by 8% from HK\$146 million to HK\$157 million, driven by ARPU growth from an expanding pool of subscribers. myTV SUPER continues to invest in original and first-window content for its premium service myTV Gold.
- E-commerce is an important engine for future growth. On 19 August 2021, TVB together with Shaw Brothers Holdings announced that the two listed companies will acquire approximately 75% of the issued shares in Ztore which owns and operates e-commerce platforms ztore.com and neigbuy.com. Our e-commerce business is expected to scale up by over four times GMV post-acquisition, driven by enlarged customer base, increased promotions and live-streaming e-commerce on TVB's channels and platforms.
- Travel restriction to and from mainland China since COVID-19 outbreak has disrupted the progress in programme co-production business which led to a reduction in total revenue from mainland China from HK\$356 million to HK\$298 million.
- TVB Anywhere's segment revenue increased by 23% from HK\$74 million to HK\$91 million as advertising and subscription income increased, and the segment result improved from a loss of HK\$3 million to a profit of HK\$12 million.

OUTLOOK

- Advertising businesses under Hong Kong TV Broadcasting and myTV SUPER continue to be a challenge in the near term. As travel restrictions between Hong Kong and mainland China remain in force, the possibility of a territory-wide economic rebound is limited. However, advertisers' reception towards the recent events, such as 2020 Tokyo Olympics, the *Stars Academy* series and the implementation of the Consumption Voucher Scheme is positive, giving us much encouragement that a return to growth is in sight.
- Our acquisition of Ztore will complement Big Big Shop business and provide the needed resources to scale up the GMV, with increased promotions and live streaming e-commerce. It is expected that the proportion of direct-to-consumers non-advertising revenue will significantly increase in the future.
- The Group continues active discussions with multiple Chinese online platforms on content production covering drama and variety show genres which are anticipated to generate a series of new work for 2022 and beyond. We will expand our content distribution directed at the mainland China market, by means of diversified licensing and co-production models.

The Board of Directors (“Board”) of Television Broadcasts Limited (“Company” or “TVB”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, “Group”) for the six months ended 30 June 2021 (“Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3	1,248,222	1,226,276
Cost of sales		<u>(935,775)</u>	<u>(965,548)</u>
Gross profit		312,447	260,728
Other revenues		8,844	37,100
Interest income		78,450	61,801
Selling, distribution and transmission costs		(299,083)	(289,387)
General and administrative expenses		(361,946)	(391,436)
Other gains, net		710	5,744
(Loss)/gain on disposal of bond securities at amortised cost		(746)	13,884
Impairment loss on financial assets at amortised cost		(8,294)	(21,274)
Finance costs		(60,438)	(40,266)
Share of (losses)/profits of joint ventures		<u>(3)</u>	<u>868</u>
Loss before income tax	4	(330,059)	(362,238)
Income tax credit	5	<u>52,959</u>	<u>73,899</u>
Loss for the period		<u>(277,100)</u>	<u>(288,339)</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(283,508)	(293,050)
Non-controlling interests		<u>6,408</u>	<u>4,711</u>
		<u>(277,100)</u>	<u>(288,339)</u>
Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the period	6	<u>HK\$(0.65)</u>	<u>HK\$(0.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period	(277,100)	(288,339)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
– Subsidiaries	6,437	(12,173)
– Joint ventures	(271)	1,011
Share of other comprehensive income/(loss) of an associate	1,269	(2,887)
Other comprehensive income/(loss) for the period, net of tax	7,435	(14,049)
Total comprehensive loss for the period	(269,665)	(302,388)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(277,487)	(304,539)
Non-controlling interests	7,822	2,151
Total comprehensive loss for the period	(269,665)	(302,388)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 Unaudited HK\$'000	31 December 2020 Audited HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,508,266	1,610,955
Investment properties		8,125	8,447
Intangible assets		232,301	219,608
Interests in joint ventures	8	873,108	824,706
Interests in associates		173,137	171,868
Financial assets at fair value through other comprehensive income		17,052	12,052
Bond securities at amortised cost	9	369,276	440,895
Financial assets at fair value through profit or loss	10	–	–
Deferred income tax assets		225,656	144,169
Prepayments	11	23,169	31,360
		3,430,090	3,464,060
Current assets			
Programmes and film rights		1,312,786	1,267,064
Stocks		24,981	27,187
Trade and other receivables, prepayments and deposits	11	1,535,952	1,646,757
Movie investments		18,152	19,454
Tax recoverable		160	2,214
Bond securities at amortised cost	9	35,984	69,661
Bank deposits maturing after three months		2,000,800	1,997,763
Cash and cash equivalents		1,120,630	1,337,635
		6,049,445	6,367,735
Total assets		9,479,535	9,831,795

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2021

	Note	30 June 2021 Unaudited HK\$'000	31 December 2020 Audited HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		664,044	664,044
Other reserves	12	179,659	175,644
Retained earnings		4,003,546	4,286,413
		4,847,249	5,126,101
Non-controlling interests		179,736	171,914
Total equity		5,026,985	5,298,015
LIABILITIES			
Non-current liabilities			
Borrowings	13	1,938,166	1,934,958
Lease liabilities		22,028	9,505
Deferred income tax liabilities		43,574	55,436
Total non-current liabilities		2,003,768	1,999,899
Current liabilities			
Trade and other payables and accruals	14	566,690	624,392
Current income tax liabilities		29,011	61,524
Borrowings	13	1,823,713	1,817,689
Lease liabilities		29,368	30,276
Total current liabilities		2,448,782	2,533,881
Total liabilities		4,452,550	4,533,780
Total equity and liabilities		9,479,535	9,831,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Independent review

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). An unmodified review report is included in the interim report to be sent to shareholders. The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 has also been reviewed by the Audit Committee of the Company.

2. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated financial information for the six months ended 30 June 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. For the year ended 31 December 2020, the auditor's report was qualified but did not contain a statement under sections 406(2), 407(2) and (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2020 annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

2. Basis of preparation and accounting policies (continued)

(a) New and amended standards adopted by the Group

A number of amendments to HKFRSs became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the Group

The Group has not early adopted new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2021. The Group is in the process of making an assessment of the likely impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application.

3. Segment information

The Group is principally engaged in terrestrial television broadcasting with programme production, myTV SUPER, Big Big Channel and e-Commerce business, programme licensing and distribution, overseas pay TV and TVB Anywhere, and other activities.

For management purposes and in a manner consistent with the way in which information is reported internally to the Group's Senior Management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on these core businesses.

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

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, co-production income, as well as other income from e-commerce income, digital marketing and event income, music entertainment income, talent management fee income, facility rental income and other service fee income.

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

3. Segment information (continued)

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

	Six months ended 30 June																
	Hong Kong TV broadcasting				Big Big Channel and e-Commerce business				Overseas pay TV and TVB-Anywhere				Elimination		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue																	
Timing of revenue recognition:																	
At a point in time	2,670	901	2,062	2,201	17,736	15,058	1,468	-	-	-	-	-	-	-	-	112,201	148,712
Over time	597,382	560,097	187,352	199,620	34,505	46,666	89,268	73,699	13,207	2,035	-	-	-	-	-	1,136,021	1,077,564
External customers	600,052	560,998	189,414	201,821	52,241	61,724	302,572	325,999	13,207	2,035	-	-	-	-	-	1,248,222	1,226,276
Inter-segment	19,679	16,246	12,552	12,024	52,376	33,672	30,925	29,780	295	189	68,354	59,601	(187,481)	(153,312)	-	-	-
Total	619,731	577,244	201,966	213,845	104,617	95,396	333,497	355,779	13,502	2,224	68,354	59,601	(187,481)	(153,312)	1,248,222	1,226,276	
Reportable segment (loss)/profit before the following items	(404,647)	(509,237)	(43,677)	1,324	18,030	30,608	144,800	142,802	(1,265)	(1,555)	(97,055)	(74,519)	-	-	(371,608)	(413,372)	
Impairment loss on and (loss)/gain on disposal of bond securities at amortised cost	(5,746)	(6,116)	-	-	-	-	-	-	-	-	-	-	-	-	(5,746)	(6,116)	
Gain on disposal of properties	-	-	-	-	-	-	-	-	-	26,931	-	-	-	-	-	26,931	
Reportable segment (loss)/profit	(410,393)	(515,353)	(43,677)	1,324	18,030	30,608	144,800	142,802	(1,265)	(1,555)	(97,055)	(74,519)	-	-	(377,354)	(392,557)	
Interest income [#]	63,675	65,158	-	9	107	1	4,377	3,604	330	225	-	-	(37,346)	(36,707)	31,152	32,350	
Finance costs	(381)	(1,861)	(14)	(27)	(13)	(36)	(97)	(120)	-	(1)	(97,275)	(74,925)	37,346	36,707	(60,438)	(40,266)	
Depreciation and amortisation	(115,174)	(118,987)	(39,909)	(38,522)	(3,181)	(3,154)	(7,198)	(7,339)	(1,938)	(1,907)	(31,847)	(22,137)	-	-	(201,931)	(195,619)	
Additions to non-current assets*	51,747	39,544	8,117	10,277	318	243	2,083	5,006	46	229	43,054	36,129	-	-	105,420	93,981	

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

excluding interest income from a joint venture

3. Segment information (continued)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Reportable segment loss	(377,354)	(392,557)
Interest income from a joint venture	47,298	29,451
Share of (losses)/profits of joint ventures	(3)	868
	<u>(330,059)</u>	<u>(362,238)</u>
Loss before income tax	<u>(330,059)</u>	<u>(362,238)</u>

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	742,335	667,820
Mainland China	298,346	355,881
Malaysia and Singapore	88,027	99,143
USA and Canada	57,223	55,342
Vietnam	16,700	16,140
Macau	11,710	8,254
Australia	6,841	5,097
Europe	4,413	3,624
Other territories	22,627	14,975
	<u>1,248,222</u>	<u>1,226,276</u>

4. Loss before income tax

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation	173,212	175,808
Amortisation of intangible assets	28,719	19,811
Cost of programmes and film rights	639,097	676,687
Cost of other stocks	9,155	5,924
Net exchange (gains)/losses	(710)	5,320
Employee benefit expense (excluding directors' emoluments)	680,397	685,854
Gain on disposal of properties	–	(26,931)
Government subsidies from Employment Support Scheme	–	(33,681)

5. Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the territories in which the Group operates. Income tax is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The amount of income tax (credited)/charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	19,677	17,306
– Overseas	12,282	3,258
– Under/(over) provisions in prior periods	2,823	(1,194)
Total current income tax expense	34,782	19,370
Deferred income tax:		
– Origination and reversal of temporary differences	(87,741)	(93,269)
	<u>(52,959)</u>	<u>(73,899)</u>

6. Loss per share

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK\$283,508,000 (2020: HK\$293,050,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2021 and 2020.

During the six months ended 30 June 2021 and 2020, no fully diluted loss per share was presented as the basic and diluted loss per share are of the same amount. This is because the assumed exercise of the share options would result in a decrease in loss per share.

7. Dividends

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 2020.

8. Interests in joint ventures

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Investment costs (note)	205,450	205,178
Funds advanced to joint ventures	20,231	20,231
Less: accumulated share of losses	(222,546)	(222,271)
	3,135	3,138
Loan to a joint venture (note)	577,631	576,869
Interest receivable from a joint venture (note)	305,842	258,199
Less: impairment loss on receivables from a joint venture (note)	(13,500)	(13,500)
	869,973	821,568
	873,108	824,706

8 Interests in joint ventures (continued)

Note:

In July 2017, the Group entered into the agreement with Imagine Holding Company LLC (“Imagine”) in relation to the formation of a joint venture company, namely Imagine Tiger Television, LLC (“ITT”), on a 50:50 basis between both parties. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. The Group has contributed to the capital of ITT in an amount of US\$33,333,000 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US\$66,667,000 in the form of the Promissory Note. The Promissory Note is unsecured and bears an interest rate of 12% per annum and will mature in July 2032. Interest and principal of the Promissory Note will not become payable unless ITT has distributable cash as defined in the agreement. Imagine shall not be making any capital contribution to ITT but shall contribute in-kind in the form of production expertise as it has the duty to manage and control the business and affairs of ITT and all creative and production decisions with respect to the television projects financed by ITT. With reference to this capital contribution arrangement, the Group would share 100% of ITT’s result until ITT has accumulated a positive balance of retained earnings. When the Group’s equity interests in ITT has reduced to zero, the Group would not recognise further losses. With effect from 1 July 2019, a conversion of the Group’s equity contribution of US\$7,742,000 into a loan to ITT was executed, which accumulated the loan to ITT with an amount of US\$74,409,000.

As at 30 June 2021 and 31 December 2020, the carrying amounts of the loan and receivables from ITT approximated their fair values. The receivables are not yet due from ITT and management do not expect deterioration in the operating results of ITT based on its cash flow forecast, the Group considered the credit risk of default for ITT was low. The maximum exposure to credit risk is the carrying values of the loan and receivables above. In addition, management is closely monitoring the development of the COVID-19 outbreak and evaluate its possible impact on ITT’s operating results. Therefore, a provision equal to 12-month expected credit loss (“ECL”) of HK\$13,500,000 was recognised during the year ended 31 December 2020, which was principally based on the probability of default (with reference to the credit rating of comparable companies) and forward looking information on macroeconomic factors incorporated in the ECL model. No further provision was recognised during the period ended 30 June 2021.

9 Bond securities at amortised cost

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Bond securities at amortised cost:		
Unlisted	504,333	509,197
Listed in Hong Kong	100,614	131,238
Listed in other countries	181,454	212,585
Less: provision for impairment loss on bond securities (notes (b), (c) and (d))	(417,125)	(412,125)
	369,276	440,895
Current		
Bond securities at amortised cost:		
Unlisted	5,015	–
Listed in Hong Kong	15,480	54,181
Listed in other countries	15,489	15,480
	35,984	69,661
	405,260	510,556

Notes:

- (a) The bond securities portfolio (excluding SMI Holdings Group Limited (“SMI”) fixed coupon bonds and China Energy Reserve and Chemicals Group (“CERC”) Bonds as detailed in Note 9(b) and Note 9(c) respectively) carry a weighted average yield to maturity of 3.9% (31 December 2020: 4.2%) per annum and have ranges of maturity dates with the last maturity date up to 23 January 2027. The largest fixed income securities from a single issuer within the portfolio, which is made up by a total of 10 (31 December 2020: 13) issuers of fixed income securities, represented approximately 0.8% (31 December 2020: 0.8%) of the total assets of the Group as at 30 June 2021. The underlying securities are denominated in Hong Kong dollars and US dollars. The interest received and receivable during the period from the bond securities at amortised cost amounted to HK\$8,714,000 (2020: HK\$24,658,000).

During the period ended 30 June 2021, the Group disposed/redeemed bond securities at amortised cost with the aggregate carrying amount of HK\$100,749,000 (2020: HK\$423,027,000) with loss on disposal amounted to HK\$746,000 (2020: gain of HK\$13,884,000).

The carrying amounts of the bond securities at amortised cost approximate their fair values. The maximum exposure to credit risk is the carrying values of the bond securities at amortised cost.

9 Bond securities at amortised cost (continued)

Notes:

(b) SMI Fixed Coupon Bonds

On 23 April 2018, the Group subscribed a US\$23,000,000 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) (“Fixed Coupon Bonds”) issued by SMI. Trading in SMI’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended since 3 September 2018. The suspension of trading of SMI’s shares for a period of more than ten consecutive trading days has triggered an event of default for Fixed Coupon Bonds in accordance with the subscription agreement.

Based on the impairment assessment as detailed in Note 10, the management considered full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2020 and 30 June 2021.

(c) CERC Bonds

The Group had purchased the CERC Bonds totalling US\$12 million nominal amount (2018 Bond US\$6 million and 2019 Bond US\$6 million). On 11 May 2018, CERC had defaulted the principal payment of the 2018 CERC Bond due in May 2018 and as a result, this triggered a cross default for the 2019 CERC Bond.

CERC is a state-owned oil and gas trading, logistics and distribution and supply services provider in mainland China. According to CERC’s announcement dated 25 May 2018, CERC plans to divest certain of its assets in order to resolve its current cash flow difficulties. Management has reviewed a report (“Report”) dated 17 August 2018 and prepared by the financial adviser appointed by CERC (“CERC’s financial adviser”), in relation to, among other things, a review of the financial condition of CERC. CERC has prepared a plan for the repayment of the principal and the interest over an eight-year period.

On 24 December 2018, the Group had received coupon interests from CERC Bonds. Based on the review of the Report and the receipt of the bond interests, management believes that CERC has both the intention and ability to settle the outstanding balances in an extended schedule. The Group has approached the impairment assessment under the ECL model by way of discounting of the expected cashflow to be recovered over an eight-year period for calculation of the net present value of the CERC Bonds, taking into consideration comparable probability of default, recovery rate quoted from international credit-rating agencies after adjustments to specific conditions/financial conditions and current creditworthiness of CERC and its restructuring progress. On this basis, an impairment loss of HK\$26 million was made during the year ended 31 December 2018.

On 8 November 2019, CERC released the revised restructuring proposal prepared by CERC’s financial adviser with the key elements of (i) increasing the installment percentage of principal repayments in earlier years and (ii) suspending all interest payments on the outstanding CERC Bonds.

9 Bond securities at amortised cost (continued)

Notes:

(c) CERC Bonds (continued)

On 25 March 2020, after considering a wide range of feedback from bondholders, CERC further released the revised restructuring proposal by increasing the installment percentage of principal repayment in the first year of repayment. The management is still negotiating the restructuring plan with CERC.

Based on the revised proposals dated 8 November 2019 and 25 March 2020, management continued to believe that CERC had both the intention and ability to settle the outstanding balances under the revised repayment schedules. The Group performed impairment assessment under the ECL model to estimate the loss allowance on the investment in CERC Bonds as at 31 December 2019 and no further impairment losses were made during the year ended 31 December 2019 and up to the period ended 30 June 2020.

As at 31 December 2020, taking into account the weakened global economic in oil and gas industry and no positive development on the execution of the revised repayment plan from CERC, the Group considered CERC bonds as credit-impaired and took a more conservative forward view to provide an additional lifetime ECL of HK\$30 million for the year ended 31 December 2020, which is mainly based on the various possible scenarios of discounted cashflow of the revised repayment schedules with reference to the valuation performed by an independent firm of professionally qualified valuers.

As at 30 June 2021, the Group continued to closely monitor the situation and performed impairment assessment under the ECL model, after taking reference to the valuation performed by an independent valuer, which concluded the accumulated lifetime ECL provision of HK\$56 million as at period end was adequate but not excessive. As such, no further impairment losses were made during the period ended 30 June 2021.

(d) Other bonds

Other than SMI's Fixed Coupon Bonds and CERC Bonds, the net carrying amount of the bond securities at amortised cost as at 1 January 2021 was HK\$473,523,000. During the period, the Group disposed/redeemed bond securities with a total carrying amount of HK\$100,749,000. For the unlisted bond securities at amortised cost considered as credit-impaired as at 31 December 2020 and 30 June 2021, as a result of default events pursuant to the bond agreements, a lifetime ECL allowance has been assessed. For other bond securities considered not credit-impaired, the Group would measure the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises a lifetime ECL. With reference to the valuation performed by an independent professional valuer, the management performed an analysis of the recovery rate of bond securities by adopting its independently selected parameters which contain credit rating profile similar to each of bond securities and provided an additional ECL provision on such bond securities of HK\$5 million (2020: HK\$20 million) during the period. As at 30 June 2021, the net carrying amount of other securities at amortised costs after provision for impairment loss was HK\$368,104,000 (31 December 2020: HK\$473,523,000).

10. Financial assets at fair value through profit or loss

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Beginning and end of the period/year	<u> – </u>	<u> – </u>

In addition to the Fixed Coupon Bonds described in Note 9, the Group subscribed a US\$83,000,000 7.5% secured redeemable convertible bonds due 2020 (extendable to 2021 by mutual agreement) (“Convertible Bonds”) issued by SMI on 7 May 2018. The Company may exercise its right to convert all or any part of the principal amount of the Convertible Bonds into new shares of SMI at any time during the period from and including the date falling six months from 7 May 2018 up to the close of the business on the maturity date of the Convertible Bonds at the initial conversion price of HK\$3.85 per conversion share. None of them was converted up to 30 June 2021.

Under the subscription agreement of the Convertible Bonds and a related share charge agreement with Campbell Hall Limited, a wholly-owned subsidiary of SMI, dated 7 May 2018, the Convertible Bonds are secured by way of a priority charge against 100% of the issued share capital of SMI International Cinemas Limited (“SMI International”, an indirect wholly-owned subsidiary of SMI). SMI International is an investment holding company that owns 41.34% of the registered capital of Chengdu Runyun Culture Broadcasting Limited (“Chengdu Runyun”). Chengdu Runyun and its subsidiaries operate SMI’s principal business as cinema operators in a number of cities in the mainland China.

On 7 May 2020, SMI was ordered to be wound up and joint and several liquidators of SMI were appointed on 12 May 2020. The Listing Committee of the Stock Exchange decided to cancel the listing of SMI’s shares on 8 May 2020 and the listing of SMI’s shares has been cancelled with effect from 14 December 2020.

As at 30 June 2021, after considering the latest development of SMI, management is of the same view that any recovery from SMI Bonds is not likely, resulting in the carrying amount of the SMI Bonds to remain at nil (31 December 2020: Nil).

11. Trade and other receivables, prepayments and deposits

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Prepayments related to capital expenditure	<u>23,169</u>	<u>31,360</u>
Current		
Trade receivables from:		
Associates	285	128
Third parties (note)	<u>1,019,113</u>	<u>1,156,938</u>
	1,019,398	1,157,066
Less: provision for impairment loss on receivables from third parties	<u>(63,042)</u>	<u>(61,470)</u>
	956,356	1,095,596
Other receivables, prepayments and deposits	<u>570,738</u>	537,593
Contract acquisition and fulfilment costs	<u>8,858</u>	13,568
	<u>1,535,952</u>	<u>1,646,757</u>
	<u>1,559,121</u>	<u>1,678,117</u>

Note:

The Group operates a controlled credit policy to the majority of the Group's customers who satisfy the credit evaluation. The Group generally allows an average credit period of 40-60 days to advertisers, 14-180 days to subscribers and 60 days in respect of programme licensees in mainland China. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

At 30 June 2021 and 31 December 2020, the ageing of trade receivables, net of provision for impairment based on invoice dates were as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Up to 1 month	406,771	594,594
1-2 months	73,358	154,637
2-3 months	66,780	69,060
3-4 months	41,499	41,256
4-5 months	47,679	31,446
Over 5 months	<u>320,269</u>	<u>204,603</u>
	<u>956,356</u>	<u>1,095,596</u>

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

12. Other reserves

	General reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Share- based payment reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2020	70,000	(20,699)	118,067	39,946	(7,756)	(66,650)	132,908
Transferred from retained earnings	-	-	2,372	-	-	-	2,372
Exchange differences on translation of foreign operations:							
- Subsidiaries	-	-	-	-	-	(9,613)	(9,613)
- Joint ventures	-	-	-	-	-	1,011	1,011
Share of other comprehensive loss of an associate	-	-	-	-	-	(2,887)	(2,887)
Share-based payments	-	-	-	4,826	-	-	4,826
Balance at 30 June 2020	70,000	(20,699)	120,439	44,772	(7,756)	(78,139)	128,617
Balance at 1 January 2021	70,000	(20,699)	120,439	46,371	(7,756)	(32,711)	175,644
Transferred from retained earnings	-	-	6,869	-	-	-	6,869
Exchange differences on translation of foreign operations:							
- Subsidiaries	-	-	-	-	-	5,023	5,023
- Joint ventures	-	-	-	-	-	(271)	(271)
Share of other comprehensive income of an associate	-	-	-	-	-	1,269	1,269
Share-based payments	-	-	-	(1,365)	-	-	(1,365)
Lapse of share options	-	-	-	(7,510)	-	-	(7,510)
Balance at 30 June 2021	70,000	(20,699)	127,308	37,496	(7,756)	(26,690)	179,659

13. Borrowings

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Long-term bank borrowings	1,938,166	1,934,958
Current		
Notes, unsecured	<u>1,823,713</u>	<u>1,817,689</u>
	<u>3,761,879</u>	<u>3,752,647</u>

Note:

On 11 October 2016, the Group issued US\$500,000,000 3.625% five-year notes due 2021 (“Notes”). Up to 30 June 2021 and 31 December 2020, the Company purchased US\$264,820,000 in aggregate nominal amount of the Notes issued by TVB Finance Limited.

On 30 June 2020, the Group entered into a new 3-year term loan facility with the amount of US\$250,000,000. The entire amount under the facility was drawn down on 6 July 2020, which will mature on 6 July 2023 and bears a variable interest rate of approximately 2.3% (31 December 2020: 2.4%) per annum as at 30 June 2021.

14. Trade and other payables and accruals

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade payables to:		
Associates	–	158
Third parties	<u>89,240</u>	<u>146,578</u>
	89,240	146,736
Contract liabilities	165,629	147,666
Provision for employee benefits and other expenses	51,687	56,293
Accruals and other payables	<u>260,134</u>	<u>273,697</u>
	<u>566,690</u>	<u>624,392</u>

14. Trade and other payables and accruals (continued)

At 30 June 2021 and 31 December 2020, the ageing of trade payables based on invoice date were as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Up to 1 month	69,083	110,363
1-2 months	14,188	13,333
2-3 months	1,705	11,208
3-4 months	596	5,182
4-5 months	321	4,354
Over 5 months	3,347	2,296
	<u>89,240</u>	<u>146,736</u>

15. Event subsequent to the end of reporting period

On 19 August 2021, Big Big e-Commerce Group Limited (“BBECGL”), a wholly-owned subsidiary of the Group and Shaw Brothers Pictures Limited (“SBPL”), an associate of the Group entered into a subscription agreement in relation to the formation of a special purpose vehicle, namely Sunrise Investments Global Limited (“Sunrise Investments”), in which BBECGL will hold 90.1% of the voting rights and 82.5% of the total issued shares, and SBPL will hold 9.9% of the voting rights and 17.5% of the total issued shares. The aggregate consideration in respect of the shares to be subscribed by BBECGL is HK\$165 million comprising of (i) the sum of an aggregate of HK\$35 million to be satisfied in cash and (ii) the sum of HK\$130 million to be satisfied by BBECGL procuring the provision of resources in relation to artistes, television commercial spots and other advertising products on the Company’s free-to-air and digital platforms, product placement and content production of the Company and/or its Affiliates (“TVB Resource Packages”) to Ztore Investment Limited (“Ztore”) or to such other person as Ztore may nominate with a value of HK\$130 million. On the other hand, the aggregate consideration in respect of the shares to be subscribed by SBPL is HK\$35 million, to be satisfied in cash.

On the same day, Sunrise Investments further entered into a share purchase agreement with Ztore, pursuant to which Sunrise Investments will acquire and subscribe, and Ztore will issue 116,716,110 Series D Preferred Shares in Ztore, representing 75% of the issued share capital in Ztore on a fully-diluted basis for a total consideration of HK\$200 million through capital injection into Ztore to be satisfied by a sum of HK\$70 million in cash and a sum of HK\$130 million in provision of TVB Resource Packages.

The above transactions constitute a discloseable transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). Closing under the above transactions is conditional upon the satisfaction of certain conditions precedent as described in the Company’s announcement dated 19 August 2021.

Upon closing, Sunrise Investments and Ztore would become subsidiaries of the Company and the results would be consolidated into the Company’s consolidated financial statements.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation. These reclassifications have no impact on the Group's total equity as at 30 June 2021, 31 December 2020 and 30 June 2020, or on the Group's results for the six months ended 30 June 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

As noted in our 2020 annual results, we were seeing some improvements in our business during the second half of 2020 as advertisers gradually moved back into the market. This improvement in business environment was extended into 2021, resulting in more active advertising bookings. We are delighted to note an encouraging 31% increase in advertising income from Hong Kong TV Broadcasting segment for the Period.

One of the Group's key strategies is to invest in content for our businesses, and to achieve that, we need to enhance our content creation capability. We have consistently invested in self-produced drama serials for our prime time hours on Jade and have regular annual outputs of over 400 hours of drama serials and 180 hours of sitcom per annum. This model has worked well for generating the bulk of our advertising revenue. Apart from drama, we deliver close to 600 hours of non-drama programmes which include variety shows, travelogue, documentaries, talk shows scheduled mainly during prime time slots on weekday nights and weekend evenings.

The Group strengthened its senior management over variety programme production by the appointments of Tsang Chi Wai (曾志偉) and Wong Cho Lam (王祖藍), two high-profile veterans in entertainment with extensive experience in content creation and live streaming e-commerce in Hong Kong and mainland China, as well as well-connected resources in the entertainment field. A number of successful hit variety programmes were created. Notably, reality singing competition series *Stars Academy* (聲夢傳奇) gave a head start to 15 talented young contestants for a career in performance. This series drew an exceptional reception from an equally young fans group. Besides, variety series *Dub-of-War* (好聲好戲) and *Top Sales* (識貨) attracted good viewerships at the weekday late prime time slots.

Under our strategies to operate multiple platforms, our team continued to build subscribers and ARPU for our streaming services, whilst the Big Big Shop e-commerce business focused on cross promotion using Jade programmes to market for advertisers. To strengthen our position in e-commerce, the acquisition of Ztore Investment Limited (Ztore) was announced in August which owns and operates two e-commerce platforms ztore.com and neigbuy.com. Through this acquisition, registered customers of ztore.com and neigbuy.com can be added to Big Big Shop's own registered customers in accordance with the applicable laws to form an enlarged pool for increased cross selling. This acquisition is expected to be closed within the third quarter. Post-acquisition, we will be able to offer a more diversified e-commerce business model with a wider product range and an enhanced service pledge to customers. In addition, we are going to create more live streaming e-commerce TV programmes in the latter part of 2021.

OUTLOOK

Advertising businesses under Hong Kong TV Broadcasting and myTV SUPER continue to be a challenge in the near term. Travel restrictions between Hong Kong and mainland China remain in force, the possibility of a territory-wide economic rebound is limited. However, the positive reception of advertisers towards the recently concluded 2020 Tokyo Olympics, the recent success of the *Stars Academy* series and the Government's Consumption Voucher Scheme gave us much encouragement that a return to growth is in sight.

Our acquisition of Ztore will complement the existing Big Big Shop business and provide the needed resources to scale up the GMV, with increased promotions and live streaming e-commerce.

The Group continues active discussions with multiple Chinese online platforms on content production covering drama and variety show genres which are anticipated to generate a series of new work for 2022 and beyond. We will expand our content distribution directed at the mainland China market, by means of diversified licensing and co-production models.

HONG KONG TV BROADCASTING

For the period ended 30 June	2021 HK\$ million	2020 HK\$ million	Year-on-year change
Segment revenue from external customers	600	561	7%
Segment loss before non-recurring items	(405)	(509)	-21%

This business segment includes operation of Hong Kong TV Broadcasting through the five terrestrial TV channels and programme co-production businesses. Segment revenue from external customers improved 7% from HK\$561 million to HK\$600 million which was mainly contributed by a 31% year-on-year increase in advertising income from HK\$351 million to HK\$460 million.

Included in the segment revenue of HK\$600 million was income relating to programme co-production business of HK\$91 million (2020: HK\$146 million). A discussion of this is set out in the section under “Mainland China operations”.

TV ADVERTISING

Hong Kong’s GDP saw an increase of 8.0% in the first quarter this year which was fueled by strong growth of exports, ending six consecutive quarters of decline. Over the first half of 2021 as a whole, GDP grew 7.8% from a year ago. The domestic economy has slowly been gaining momentum since the launch of the Vaccination Scheme in March 2021 and the further easing of restrictions for certain businesses as COVID-19 situation came under control. Unemployment rate dropped to 5.5% for the three-month rolling period ended June 2021. Retail sales had rebounded 8.4% to HK\$174 billion in the first half of 2021. However, consumer spending is still below the pre-pandemic level, as the impact of COVID-19 variants, the social distancing requirements continue whilst tourism remained in the doldrums.

During the Period, advertising income from Hong Kong TV Broadcasting reported an encouraging 31% increase from HK\$351 million to HK\$460 million. Some categories like pharmaceutical and healthcare; hygiene and personal care products; pet care products; online games; local and overseas property developers; online property agents, virtual banking and finance exhibited year-on-year growth in ad spend on our channels. However, sectors that place heavy reliance on tourist spending, such as travel agents, milk powder, cosmetics & skincare and watch & jewellery are slow in returning to TV advertisements.

Into the second half of 2021, we are seeing new opportunities which could become the near-term catalysts. The launch of the Consumption Voucher Scheme this month should help stimulate local spending. Advertisers who wanted to get a share of this business have expressed keen interest in promoting their products and services. The reopening of cross-border travel would be an important catalyst for economic recovery. Sectors such as beauty products, travel and tourism, insurance which are heavily dependent on mainland visitors would have a strong demand in advertisements once the quarantine-free travel is allowed.

With the success of *Stars Academy* and upcoming annual iconic events such as *Miss Hong Kong Pageant 2021* (2021香港小姐競選) and *TVB Anniversary Gala* (萬千星輝賀台慶), we will have further opportunities to provide services to the marketers in the second half of 2021.

TERRESTRIAL TV CHANNELS

As a key player in broadcasting sector, TVB remains committed to serving the public with reliable news and information, and entertainment. Throughout the course of the pandemic, we raised public awareness and facilitated positive thinking via the extensive reach of our terrestrial channels.

During the Period, our terrestrial TV platform reached out to 5.4 million in-home viewers² in Hong Kong every week and maintained a dominating audience share in our home market. TVB's five digital channels (Jade, J2, TVB News, Pearl, TVB Finance & Information), in aggregate, averaged a prime time rating of 25.2 TVRs³, representing a 78% audience share⁴ against all channels in Hong Kong, which was significantly higher than all other domestic free TV operators. TVB has a substantial lead in the market with its 85% audience share⁵ in young audience group and 88% audience share⁵ among high income group.

JADE CHANNEL

Jade, TVB's flagship channel, continues to be a family favourite and runs the most popular channel in Hong Kong. Jade assumes the indispensable role to provide audience with up-to-date, informative and entertaining programmes that infuse positive energy and motivation.

² Average reach is the average number of unique viewers contacted for a specific period. The average reach covers inside homes via television set from Monday to Sunday across TVB's five terrestrial channels. Data source: CSM Media Research.

³ Rating represents the average size of the audience expressed as a percentage of the total TV population in consideration of viewing intensity. For 2021, total TV population comprises 6,554,000 viewers, and, 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.

⁴ Audience share (%) is the percentage of ratings of particular channel(s) over the total live ratings of all TV channels, including free TV, myTV SUPER, pay TV and satellite channels. The audience share figure quoted covers inside home only. Data source: CSM Media Research.

⁵ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the free TV channels in Hong Kong. The audience share figure quoted covers inside home only. Data source: CSM Media Research.

Variety and Infotainment Programmes

Weekend prime time singing reality shows *Stars Academy* which generated significant viewerships and robust social media followings during and after the show, was the latest attempt to groom new singers and young artistes. 15 contestants, mostly in their teens, impressed the audience as part of a reality show which documented the entire competition and their learning journey assisted by leading singing “tutors”. This serial was also blessed by the appearance of many star-studded mentors including Hacken Lee (李克勤), Alan Tam (譚詠麟) and Hins Cheung (張敬軒). The finale on 19 July earned a rating of 26.5 TVRs⁶ and the series generated an aggregated stream views of 60 million over many social media platforms including YouTube, Facebook, Instagram and Weibo. Video of 14-year-old winner Chantel Yiu’s (姚焯菲) singing of *Love Prediction* (戀愛預告) garnered an aggregate stream views of nearly 4 million on YouTube and Weibo. With such over-whelming audience support, four sold-out concerts (聲•夢飛行*First Live on Stage*) were staged in August for the 15 new singers which were also broadcast online and attracted a large pool of paying audience. Preparation of the second season of *Stars Academy* is already underway. Thanks to the overwhelming responses to the concerts, many advertisers have already expressed interests in future sponsorships. This singing reality show further testified the Company’s long-standing ability to develop new talent and build affinity with audience.

Music is always an integral part of our business. We strengthened our business cooperation with three major record labels, namely Universal Music, Warner Music, and Sony Music, which resulted in the opportunities to re-introduce singers to many of the station’s music programmes including the long-running weekly *Jade Solid Gold* (勁歌金曲). Under a new format, the TV ratings of this programme have improved substantially.

Dub-of-War, a new series of weekday prime time reality shows, generated good ratings and garnered applause from netizens. 12 TVB artistes were selected to undergo intensive training with dubbing mentors and competed on stage for the best voice acting. Audiences were impressed with the talent and diligence of the contestants. This programme concluded with an average rating of 18.5 TVRs, with its top serial at 20.9 TVRs.

Big Big Old World (尋人記) is a documentary-centric show led by iconic news anchor Anthony Fong (方東昇), where he and teammates conducted exhaustive search for a number of interviewees who appeared on old TVB documentaries aired in 80s and 90s. The documentary showcased changes in the lives of these re-connected interviewees in form of ten enlightening stories. This serial was well received by many, and scored an average rating of 22.8 TVRs, with the top serial at 23.7 TVRs.

⁶ Rating (TVR) performance quoted is a consolidated rating which represents the average rating of a programme summing both the live viewing from the spectrum and on myTV SUPER streaming service (STB, App, Web) as well as VOD viewing of that programme within seven days after being aired on terrestrial TV. For 2021, total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research, Adobe Analytics & Nielsen Out-of home Study.

Drama

TVB's criminal drama series have always been one of the viewers' favourite genres. *Sinister Beings* (逆天奇案) was based on investigation narrative of The Organized Crime and Triad Bureau (OCTB) which depicted a story of the police which was ambushed by criminals and suffered heavy losses. To find the mastermind behind the plot, the two leading men used reverse thinking, psychological game theory and analysis to deconstruct a criminal's thinking and motives. This drama gave an average rating of 27.0 TVRs and the thought-provoking finale brought in a peak rating of 30.2 TVRs.

The Forgotten Day (失憶24小時), a mysterious comedy, uncovered the secrets of a strange kidnap case in an action-packed drama series brought audience hefty amounts of suspense and laughter. The plot of *Shadow of Justice* (伙記辦大事) revolved around an intelligent chief inspector and a top criminal defense lawyer holding different perspectives on justice who triggered a battle of wits and bravery.

Two co-production drama serials were scheduled on Jade as well as the related online platforms in mainland China. *Armed Reaction 2021* (陀槍師姐2021), co-produced with Tencent, was the fifth season of a popular police drama. The storyboard was centered on an inspector who was overcoming gun phobia after being kidnapped, became the new iconic "armed female cop". *Murder Diary* (刑偵日記), co-produced with Youku, took a bold step away from tropes found in classic TVB crime dramas. The unusual plot of this drama was centered on strange incidents which happened to a police officer who had dissociative identity disorder caused by his schizophrenic mother who almost killed her own children.

J2 CHANNEL

J2 continued to gain viewership and scored an average prime time rating of 2.1 TVRs during the first half of 2021 (2020: 1.8 TVRs). J2 earned its name as a young and vibrant channel by offering a wide range of entertainment programmes including travelogues, hottest dramas and reality shows featuring young rising stars.

Station-created chic and experiential travelogue remains a signature genre on J2. With travel restrictions still in place, we commissioned our Taiwan crew to produce a series of lifestyle varieties including *Travel Yu* (玩起來), *Travel You* (玩起來II), *Sidewalk Delicacies Pingtung* (吃貨攻略•屏東) and *Sidewalk Delicacies Kaohsiung* (吃貨攻略•高雄) to discover fun things from Taiwan. Besides, our young artistes also invited audience to ziplining, water skiing, paragliding trips to discover the beautiful scenery of the countryside in Hong Kong in *We're All Wildlings* (野外步出). These travel documentaries appealed to the audience's thirst for vacation.

Likewise, J2's iconic talk show *Young and Restless* (後生仔傾吓偈), two new entertaining talk shows, *Tiger's Talk* and *Mean Talk* where celebrities revealed hidden secrets also received positive responses from audience.

TVB NEWS CHANNEL

TVB News Channel provides audience with round-the-clock news coverage on local, straits and international events via in-home and out-of-home TVs, online portals, TVB News App and TVB streaming platforms. Timely, accurate news and updates on pandemic situation, new variants and vaccination kept audience tuned in. During the Period, our News Channel reached out to 3.8 million in-home viewers² in Hong Kong every week.

Conversations around COVID-19 which were previously focused on the spread of the pandemic have shifted to the vaccines. In two vaccine-related mini-series *Chasing Vaccine* (疫苗追蹤) and *To Vaccinate is to Care* (打者愛也), health experts discussed vaccine safety and its availability.

COVID-19 is driving the adoption of electronic payment, particularly the contactless cards and the mobile wallets in Hong Kong. The HKSAR Government's recent disbursement of e-vouchers to eligible residents through stored value facility operators further boosted the take-up. In mini-series, *Easy Payment* (電子消費通), our news anchors introduced the payment platforms that are available in Hong Kong and things to pay attention to when using these e-payments. Other frequently discussed social issues, for instance shortage of land, less privileged groups, crime prevention are covered in various thematic mini-programmes like *Searching For Land* (尋土覓地), *The North Star Guides Your Way* (北斗同行), *Scam Encounter* (騙騙遇上你) and *With Faith* (心有所信).

Regarding China affairs, *Explore the Tianhe Core Module* (探索天和核心艙) provided updates of China's longest crewed space mission, Shenzhou 12 spaceflight. Greater Bay Area related series like *Proud China* (江山多驕), *GBA-A Broad Horizon* (放眼大灣區), *Life in GBA* (樂活大灣區) revealed the latest development and potential opportunities in the GBA.

PEARL CHANNEL

Pearl recognises the craving of our targeted audience for some "easy-going" TV time-off in times of the pandemic. During the Period, Pearl has streamlined its schedule and brought back the highly recognisable and nostalgic *Studio930* (明珠930) block. With a fine selection of Hollywood blockbusters and classic movies which our audience would enjoy watching over and over, this daily 9:30pm slot has brought up the weekday viewership by 25% year-on-year. Top-rated titles included *The Great Wall* (長城), *Jurassic Park* (侏羅紀公園) and *Kong Skull Island* (金剛 骷髏島).

Pearl also revamped the 8:30pm slot into a pure daily one-hour block of light entertainment. While continuing the international favourites *America's Got Talent* (全美一叮), *Britain's Got Talent* (全英一叮) and *MasterChef* (我要做廚神), Pearl has for the first time brought in the equally entertaining *MasterChef Australia* (我要做廚神：澳洲篇). In addition, our in-house produced lifestyle magazine *Dolce Vita* (港生活 • 港享受) showcased trendy tips and tailor-made promotions for our sponsors.

TVB FINANCE & INFORMATION CHANNEL

TVB Finance & Information Channel takes the lead in the market as the sole free finance news channel, running 24-hours to keep audience abreast of the rapid market dynamics. This channel has earned recognition for its intensive capital market and expert analyses. Thanks to the investment-savvy audience, the channel scored a higher average rating of 1.8 TVRs during trading hours in the first half of 2021 (2020: 1.6 TVRs).

In response to the increasing integration between the Mainland and Hong Kong capital markets and the expansion of cross-boundary capital flows, TVB Finance & Information Channel launched a new segment, *Tracking Stock Connect* (追縱港股通) in its iconic trading-hour programme, *Wealth 360* (智富360) to track the daily southbound capital flow and most actively traded stocks.

During the Period, TVB Finance & Information Channel has streamlined its schedule and brought audience international documentaries with topics ranging from food, travelogue, nature and more. The channel also created brand new programmes covering health, education and GBA lifestyle. People in Hong Kong have the longest life expectancy in the world. *Health Regimen* (養生有道) reviewed some possible contributing factors to this health advantage. Study abroad is a game-changer for students. *Academia Without Borders II* (升學無疆界 II) returned for a second season showcasing how Hong Kong students studying in the UK, Singapore and New Zealand, overcame learning loss during school closure amid COVID-19. *Decoding the GBA* (大灣區解碼) told the stories of people residing in the GBA, and how these people positioned themselves to take advantage of the vast opportunities available there.

myTV SUPER

For the period ended 30 June	2021 HK\$ million	2020 HK\$ million	Year-on-year change
Segment revenue from external customers	189	202	-6%
Segment (loss)/profit	(44)	1	Loss-making

Segment revenue from external customers declined 6% from HK\$202 million to HK\$189 million mainly due to weaker advertising revenue. Our strategy to invest in original and first-window content continued which contributed higher programme costs. This segment reported a segment loss of HK\$44 million during the Period (2020: a profit of HK\$1 million).

Subscription

myTV SUPER continues to lead the video streaming platforms in Hong Kong. Our new collaboration with i-CABLE Telecom Limited which began in April 2021 further expands our subscriber base by marketing myTV Gold service. myTV SUPER registered users continued to grow steadily.

As of 30 June 2021, total registered users (paid and free) reached 9,520,641, representing a year-on-year increase of 11% from June 2020. Total number of paying subscribers was approximately 1.2 million, representing primarily the set-top-box (STB) users. Launched in April 2019, myTV Gold service, carrying over 50 channels and 90,000 VOD hours, has a subscriber base of approximately 117,000 as of 30 June 2021 (2020: approximately 40,000) with an ARPU of HK\$74 per month.

Registered users of myTV SUPER	As of 30 June 2021	As of 30 June 2020	Year-on-year change
Set-top-box	1,341,763	1,286,326	4%
App	6,887,041	6,137,901	12%
Web	1,291,837	1,156,241	12%
Total	<u>9,520,641</u>	<u>8,580,468</u>	11%

We further enriched our programme offering under myTV SUPER Original to attract new subscribers and upgrades from the basic service. Our first-window content spanned across multiple genres, including TVB drama serials *AI Romantic* (智能愛人) and *Fraudstars* (欺詐劇團), the simultaneous release of US drama *Why Women Kill (Season 2)* (靚太殺機 (第2季)), reality shows *Doggie Training Camp* (狗狗診療所); *Super Five* and *Testing Menu*; talk shows like *Coffee, You and Me Season 2* (緣來自咖啡2), *Master's Talk* (師父有請), *Drive U To The Hell* (鬼上你架車) and so on.

Subscription revenue increased from HK\$146 million to HK\$157 million, an increase of 8% driven by ARPU growth from a bigger pool of myTV Gold subscribers. Programming costs increased as popular soccer leagues and myTV SUPER Original programmes were part of the offerings to attract new subscription.

In the second half of 2021, we will continue to invest in self-produced content that differentiates our service offering from other players. A kids channel has been launched in July 2021 and more myTV SUPER Original programmes will become available.

Advertising

During the Period, advertising on myTV SUPER witnessed a decline as many of our advertisers remained on the sideline amid the weak retail environment under the COVID-19 pandemic. Competition for advertising services became intense amongst the international digital platforms in the likes of Google, Facebook and YouTube. Revenue from this segment reported a decline from HK\$53 million to HK\$26 million. Post the period end, we are beginning to see improvement in advertisement placements and foresee a stronger second half of 2021, as consumer spending is improving along with the roll-out of the Consumption Voucher Scheme in Hong Kong.

Decline in the consumption of content was noted during the Period when compared to 2020. We believe that this was partly owed to the unusually high consumption of content due to homebound during COVID-19 outbreak in the first six months of 2020. Also, as a higher proportion of the sought-after content being placed under the myTV Gold service plan to drive subscriptions rather than the lower tiered plans, the consumption time had naturally decreased. However, the consumption of content during the 2020 Tokyo Olympics topped 22 million hours during the week of 26 July to 1 August, making myTV SUPER the “to-go-to” platform for the Olympic games.

Consumption and rating performance of myTV SUPER	Six months ended 30 June 2021	Six months ended 30 June 2020	Year-on-year change
Average weekly time spent	17.96 million hours	22.85 million hours	-21%
Average weekly consumption/USV	18.2 hours	19.7 hours	-8%
Contribution to TV ratings (all day all time)	1.62 TVRs	2.09 TVRs	-22%
Contribution to TV ratings (prime time)	2.96 TVRs	3.69 TVRs	-20%

BIG BIG CHANNEL AND E-COMMERCE

For the period ended 30 June	2021 HK\$ million	2020 HK\$ million	Year-on-year change
Segment revenue from external customers	52	62	-15%
Segment profit	18	31	-41%

Big Big Channel and e-Commerce segment comprises e-commerce (Big Big Shop), social media (Big Big Channel), music entertainment (Voice Entertainment) and events management. This segment, crossing over with other TVB platforms, helps commercialise TVB’s capacity to create a wide range of content and marketing power via the Group’s online and offline channels.

Under Big Big Channel and e-Commerce, revenue decreased 15% from HK\$62 million to HK\$52 million during the Period. E-commerce, events management and social media advertising business exhibited growth but was offset by lower project-based sponsorship income.

E-COMMERCE

We continued to direct marketing effort to promote advertiser-sponsored products, leveraging on the high reach of our channels and digital platforms to convert audiences to online shoppers.

E-commerce platform Big Big Shop reported a 10% growth in GMV on completed orders from HK\$56 million to HK\$62 million, mainly driven by an increase in number of orders to approximately 98,700. Order value averaged about HK\$627 in the reported period.

Many new promotional programmes on Jade were created to promote Big Big Shop, such as *Big Big Shopping Nite 2021 CNY* (Big Big Shop 今晚請客慶團年), Weekend Flash Sale Programme *Big Big Shopping Nite* (周末幫你慳啲啦), Reality Show *Top Sales*, *Top Sales — Big Big Sale* (識貨特賣場) and other seasonal/festive campaigns like *Korean Food Festival* (韓國食品節), *Easter Sale* (復活「價」優惠享全單九折). Recently, we gained some initial success in live streaming e-commerce (直播帶貨) using programmes like *Top Sales — Big Big Sale* and *Big Big Shopping Nite*, which converted viewership from our Jade channel to live streaming on Big Big Shop app. Both the number of unique users and GMV benefitted as a result of these programmes.

SOCIAL MEDIA

Big Big Channel (“BBC”) has gained popularity, both as a platform for short form videos and hub for digital advertising. BBC is using an expanding follower base to grow video stream views and impression worldwide for monetisation. We now engage with 13.4 million followers globally via our own BBC app and TVB’s social media accounts on Facebook, YouTube, Instagram, Twitter, Sina Weibo, Youku and TouTiao, etc. BBC has successfully built an affinity with young audience group and more than 70% of its viewers are below age of 35.

We recorded an accumulated weekly stream view of 26.3 million⁷. BBC continued to strengthen its synergy with TVB channels and exert TVB’s online and offline power by creating more spin-off content for social media platforms. Those videos extracted from *Entertainment News* (娛樂新聞報道), *Scoop* (東張西望) and *Stars Academy* generated the top three highest stream views. *Stars Academy* since its TV telecast in April 2021 has been attracting tremendous volume of mentions and engagements on the social media platforms and the amount of online discussions further increased during the final round of singing contest. Number of subscribers to our *Stars Academy* YouTube Channel has now exceeded 70,000 and total number of Instagram followers for these young contestants exceeded 430,000. We will make use of the bonding we developed with the followers and engage TVB artistes to create more captivating content to increase our social media influence.

MUSIC ENTERTAINMENT

The key achievements of VEG in the first half of 2021 were to rejuvenate the music industry by recruiting and developing young singers and restoring the relationship with various record companies. Singers from these record companies have recently resumed their stage performance in TVB’s music programmes and variety shows.

During the Period, VEG began to work with Tencent’s QQ Music in building a Cantonese music ecosystem. Under this collaboration, QQ Music promotes TVB’s Jade Solid Gold Billboard (勁歌金榜) and TVB provides music content and commentary videos to QQ Music.

⁷ Stream view recorded for the last week of June 2021.

EVENTS MANAGEMENT

During the Period, the pandemic was still disrupting many physical events. TVB Virtual Event Power was launched promptly to help marketers host events online, utilising TVB's resources in talent and stage management, TV channels and social media exposures. The Leisure and Cultural Services Department's first virtual flower show made its debut with a pleasing-to-the eye 3D guided tour to beautiful garden plots at designated parks in Hong Kong during the blooming season of rhododendrons. The selfies with floral displays, interactive games and animation make this virtual on-site experience more memorable for local and overseas visitors. This successful virtual event would be a good showcase for our potential clients who are keen to organise boundaryless concerts and summits.

MAINLAND CHINA OPERATIONS

Operations in mainland China comprise co-production and licensing of TVB content to online video platforms such as Tencent, iQiyi, Youku, BesTV and Migu.

Travel restriction to and from mainland China since the outbreak of COVID-19 has disrupted the progress in drama co-production with online platform customers which led to a reduction in total revenue from mainland China operations from HK\$356 million to HK\$298 million during the first half of 2021. But this business made an improved contribution to profit after tax, which was helped by an increase in the unit selling price per episode of the co-production titles.

Management actively pursued new business opportunities in co-production and licensing of drama serials with online platforms. *Armed Reaction 2021* (陀槍師姐 2021) (co-produced with Tencent) and *Murder Diary* (刑偵日記) (co-produced with Youku) were completed and released online during the Period. These titles yielded positive feedbacks and encouraging scores on Douban billboard.

Drama serial *Murder Diary* (刑偵日記) was completed and delivered to Youku during the Period which will be followed by two other co-production titles, namely *Barrick O'Karma 2* (金宵大廈1968) and *Big White Duel 2* (白色強人II) later this year. Beyond these, we continue active discussions with multiple Chinese online platforms on content production covering drama and variety show genres which are anticipated to generate a series of new work for 2022 and beyond.

On licensing, Youku acquired the simulcast right of drama serial *Sinister Beings* (逆天奇案) during the Period. Lately, a contract for drama co-production of *Forensic V* (法證先鋒V), a sequel to *Forensic IV* of 2020, has been confirmed. In addition, new licensing contracts were entered into with Tencent and Migu which included a selection of titles from our back catalogue. We will expand our content distribution directed at the mainland China market, by means of diversified licensing and co-production models.

PROGRAMME LICENSING AND DISTRIBUTION

For the period ended 30 June	2021 HK\$ million	2020 HK\$ million	Year-on-year change
Segment revenue from external customers	303	326	-7%
Segment profit	145	143	1%

Programme licensing and distribution business comprises mainly distribution of TVB's programmes in the international markets through telecast and new media licensing. During the Period, segment revenue from external customers decreased by 7% from HK\$326 million to HK\$303 million owing mainly to lower revenue from key markets Malaysia and Singapore. Segment profit was maintained steady at approximately HK\$145 million (2020: HK\$143 million).

Many cities in Malaysia, Singapore, Canada and Vietnam announced extended periods of lockdown during the prolonged pandemic. The abrupt and widespread stoppages continue to disrupt many of our carefully planned projects which hurt the revenue.

We are enhancing our local programmes in Malaysia. Travelogue *Walking With You* (仨生友行) and Jade's well-liked infotainment programme *Scoop* and celebrity cooking show *Maria's Auspicious Menu 5* (肥媽新年新煮意5) were localised for the Malaysian market which attracted advertisers' support. Under the distribution arrangements secured with StarHub Cable Vision, Singtel and Mediacorp in Singapore, we are maintaining a high penetration of Chinese viewerships in the pay and free-to-air TV markets. In addition to the production of variety shows in Malaysia and Singapore, we are considering investment in local drama and sitcom production in some markets. We are also exploring the possibility of launching an e-commerce programme modelled on the acclaimed Jade's programme *Top Sales* in Malaysia, Singapore and Canada to tap into e-commerce.

OVERSEAS PAY TV AND TVB ANYWHERE

For the period ended 30 June	2021 HK\$ million	2020 HK\$ million	Year-on-year change
Segment revenue from external customers	91	74	23%
Segment profit/(loss)	12	(3)	Turnaround

This segment revenue comprises income from pay TV platforms in the USA, TVB Anywhere streaming business and new media platforms. Segment revenue from external customers increased by 23% from HK\$74 million to HK\$91 million as advertising and subscription income both increased. Hence, segment result significantly improved from a loss of HK\$3 million to a profit of HK\$12 million.

TVB ANYWHERE

TVB Anywhere, together with subscribers/users (paid and free) from overseas third-party online platforms carrying TVB contents, currently has an aggregated user base of approximately 23.6 million (2020: 15.2 million).

TVB Anywhere Streaming Services

TVB Anywhere services are available through set-top-boxes and mobile app (TVB Anywhere+). An updated version of TVB Anywhere STB adopting Android TV operating system was launched. The new STB, which offers a customised TVB Anywhere launcher and new user interface, has received positive responses from the markets. New features of the STB include voice search function, access of various entertainment applications via Play Store as well as Chromecast function are creating bigger values to users.

Besides STB, TVB Anywhere+ application which is tiered into premium and free services offers around 40,000 hours of TVB content. Its major features include up to six multi-language offering, multiple-screen viewing, and global access with a single sign on. TVB Anywhere+ application has recorded healthy growth year-on-year.

In Malaysia, TVB Anywhere+ application has started to gain traction on subscriber growth. In Singapore, TVB Anywhere+ is distributed by all the major ISPs as well as direct purchase from App Store and Play Store. Earlier this year, we added new distribution channels by offering TVB Anywhere STB and subscription plans on e-commerce platforms, namely Shopee and Qoo10. In Macau, we concluded a new multiple-year distribution agreement with Companhia de Telecomunicações de Macau. In Vietnam, we are offering the global version of TVB Anywhere+ application which also carries the Vietnamese language. A localised version of TVB Anywhere service is provided in Thailand to serve the much larger Thai-speaking audience.

Other Modes of Distribution

TVB Anywhere is collaborating with global mobile device makers on a bundled SVOD service package. The geographical accessibility of our branded SVOD on the Huawei Video application, a pre-loaded application on all Huawei mobile devices, has further increased from 26 to 29 countries.

In addition to the above-mentioned TVB Anywhere branded services through various platform partners, we are co-operating with a number of global video online platforms. We joined the YouTube Partner Program in 2017. Riding on the large audience base of YouTube around the world, TVB contents are promoted effectively to global TVB fans. By the end of the first half of 2021, we have accumulated a subscriber base of over 6 million, a year-on-year growth of 56%. Monthly Active User (MAU) for June 2021 reached 13 million. Revenue generated from YouTube has been increased correspondingly. Currently, TVB contents are made available on YouTube in eight languages including Vietnamese, Cambodian, Thai, Arabic, Bahasa, English, Mandarin and Cantonese by dubbing or subtitling. Digital first content and more diversified content will be introduced to increase viewership and revenue. In the future, we will explore more collaboration opportunities with other online video streaming platforms to sustain growth in the segment.

OVERSEAS PAY TV

The overseas pay TV business comprises the fledgling streaming service on digital platforms and the conventional licensing of programmes to traditional pay TV operator in the USA mainly on DISH Network.

Although COVID-19 dealt a severe blow to the US economy affecting all ethnic media, we are motivated to see the steady growth of our free zone viewers across all streaming platforms amid the pandemic, and the content consumption holding up even after people gradually returned to normal routines in the second quarter of 2021.

Heading into the post pandemic world, a strong economic rebound should fuel the demand for advertising service especially the automated programmatic advertising which will boldly accelerate our streaming services to further thrive in the US market.

STRATEGIC INVESTMENT

Imagine Tiger Television

During the Period, Imagine Tiger Television (“ITT”) completed production on the second season of *Why Women Kill*, which premiered on Paramount+ (previously CBS All Access) on 3 June 2021 with the season finale aired on 29 July 2021. *Why Women Kill Season Two* has great strength in viewership on Paramount+ from its debut season. The series, as a whole, was one of the highest acquisition driver for Paramount+. In addition, ITT began production on the 10-episode series *Dan Brown’s The Lost Symbol*, which will premiere on NBC’s streaming platform Peacock on 26 September 2021.

FINANCIAL REVIEW

OPERATING RESULTS

Revenue of the Group increased from HK\$1,226 million to HK\$1,248 million, an increase of 2%. This increase was mainly driven by an improvement in advertising revenue from the Hong Kong TV Broadcasting segment from HK\$351 million to HK\$460 million, an increase of HK\$109 million or 31%. Subscription revenue from our two video streaming platforms (namely myTV SUPER and TVB Anywhere) continuously showed a growing momentum with an increase of HK\$13 million from HK\$189 million to HK\$202 million during the Period. Offsetting the increases in revenue were a lower revenue from drama co-production projects (three projects under production in 2021 vs four projects in 2020) which resulted in a decline in co-production revenue of HK\$55 million from HK\$146 million to HK\$91 million and a reduction in licensing income from the Programme Licensing and Distribution segment of HK\$23 million from HK\$326 million to HK\$303 million during the Period.

Cost of sales decreased from HK\$966 million to HK\$936 million, a decline of 3%. Included in cost of sales were the cost of programmes and film rights which amounted to HK\$639 million (2020: HK\$677 million). The drop in cost of sales, as mentioned above, mainly corresponded to the lower costs from drama co-production projects charged during the Period (three projects under production in 2021 vs four projects in 2020).

Other revenues dropped from HK\$37 million to HK\$9 million, which was mainly due to the booking of the Government’s wage subsidies in 2020 of HK\$34 million which was non-recurring.

Interest income totalled HK\$78 million for the Period (2020: HK\$62 million), which comprised interest income from the Company's investment portfolio and fixed bank deposits and interest income from the promissory note to Imagine Tiger Television ("ITT").

Selling, distribution and transmission costs increased from HK\$289 million to HK\$299 million, an increase of 3%. This increase was mainly related to higher sales commission on advertising revenue and higher overheads for the growing e-commerce business.

General and administrative expenses decreased from HK\$391 million to HK\$362 million, a decrease of 8%. The decrease was attributable to rationalisation in maintenance overheads after the Group was continuously exercising stringent cost control and improving operational efficiency during the Period.

Overall, total costs (comprising cost of sales, selling and distribution costs and general and administrative expenses) decreased from HK\$1,646 million to HK\$1,597 million, a reduction of 3%.

Other gains, net, decreased from HK\$6 million to HK\$1 million, a decline of HK\$5 million which was mainly due to the booking of the non-recurring disposal gain of Taiwan properties of HK\$27 million, less the losses on movie investments of HK\$17 million during 2020.

A review of the investment portfolio was performed to cover the credit quality of the bond securities. Around 20% of bond securities with a total carrying amount of HK\$101 million (out of a total carrying value of the portfolio of HK\$511 million at 31 December 2020) were disposed of during the Period which incurred a loss of HK\$1 million (2020: a gain of HK\$14 million). Impairment losses of HK\$5 million (2020: HK\$20 million) were made after reviewing the overall credit risk of the bond portfolio.

Finance costs totalled HK\$60 million for the Period (2020: HK\$40 million), which mainly comprised the net interest costs of the US\$500 million 3.625% notes issued by TVB Finance Limited due 2021 ("TVB Notes"), net of the interest income received in relation to the TVB Notes held under the investment portfolio; and the finance costs incurred for the US\$250 million term loan from a bank drawn down in July 2020. The presentation of finance costs on a net basis in the profit and loss account has been consistently made to mirror the netting off of the amount of TVB Notes issued less the amount held by the Group on the consolidated statement of financial position.

ITT, the joint venture between Imagine Entertainment and TVB, made a net operating loss (before interest expense to TVB) of HK\$37 million during the Period (2020: HK\$3 million). No sharing of losses from ITT was recognised during the Period, as the equity portion of the investment had been fully written down.

The Group recorded an income tax credit of HK\$53 million (2020: HK\$74 million), which arose mainly from tax losses recognised from the Hong Kong TV broadcasting segment during the Period. Whilst TVB's main business in Hong Kong is subject to a profits tax rate at 16.5%, the Group's major subsidiaries operate in overseas territories whose effective rates vary from 0% to 30%.

Overall, the Group's loss attributable to equity holders for the Period totalled HK\$284 million (2020: loss of HK\$293 million), giving a basic and diluted loss per share of HK\$0.65 (2020: loss per share of HK\$0.67). Excluding the wage subsidies under the Government's Employment Support Scheme of 2020, the loss attributable to equity holders of the Company improved by HK\$43 million or 13%.

Adjusted EBITDA⁸ improved from negative HK\$210 million in the first half of 2020 to negative HK\$140 million during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and Treasury Management

The Group continued to maintain a strong financial position as at 30 June 2021 despite a loss recorded during the Period. Total equity stood at HK\$5,027 million (31 December 2020: HK\$5,298 million). There had been no change in the share capital of the Company, with 438,000,000 ordinary shares in issue.

The Group had unrestricted bank and cash balances of HK\$3,121 million (31 December 2020: HK\$3,335 million). About 15% of the unrestricted bank and cash balances (approximately HK\$466 million) were maintained in overseas subsidiaries for their daily operations. Unrestricted bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, Renminbi, US dollars and New Taiwan dollar.

The Company maintains a portfolio of fixed income securities classified under held-to-maturity investments for overall enhancement of the interest yield of the Company's fund (the "Investment Portfolio"). Unless approved by the Board of Directors, investments in equity or quasi-equity securities for treasury management purposes are not permitted. The Investment Portfolio is primarily set up to minimise negative carry of the cost of funds of the Company. Currently, in selecting securities for the Investment Portfolio, the Company will take into account the coupon of the TVB Notes as an investment return reference. Also, the Company will only select fixed income securities from bonds issued by companies with transparent and sound financial conditions, with credit ratings from Moody's Services of at least Baa3, taking into account business sector; coupon rate and yield-to-maturity; currency; and maturity dates. This investment portfolio is governed under a set of treasury management guidelines laid down by the Board. The Executive Committee has the approval authority for purchase or disposal of securities in the Investment Portfolio. The Investment Committee of the Board is charged with the duties to review the credit quality of the securities making up the Investment Portfolio and to ensure that the investment objectives are fulfilled. The Investment Committee is advised by an external investment bank.

⁸ Adjusted EBITDA means result for the Period before financial costs, income tax credit, depreciation and amortisation, share of results of joint ventures/associates, interest income, impairment loss and gain/loss on disposal on bond securities at amortised cost and gain on disposal of properties. Adjusted EBITDA is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards. The computation of the Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

As at 30 June 2021, the Company's portfolio of fixed income securities (excluding the bonds issued by China Energy Reserve & Chemicals ("CERC") and SMI Holdings Group Limited ("SMI")) amounted to HK\$368 million (31 December 2020: HK\$474 million), which were classified under "Bond securities at amortised cost". They were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield to maturity of 3.9% per annum (31 December 2020: 4.2%) and have ranges of maturity dates with the last maturity date of 23 January 2027. As at 30 June 2021, the investment portfolio is made up by a total of 10 (31 December 2020: 13) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 0.8% (31 December 2020: 0.8%) of the total assets of the Group. The interest income recognised during the Period from the bond securities at amortised cost amounted to HK\$9 million⁹ (2020: HK\$25 million).

CERC bonds

CERC had defaulted the principal payment of the 2018 CERC Bond due in May 2018 and as a result, this triggered a cross default for the 2019 CERC Bond held by the Group due in January 2019. The aggregated nominal amounts of 2018 and 2019 CERC Bonds amounted to US\$12 million. CERC is a state-owned oil and gas trading, logistics and distribution and supply services provider in mainland China. During the year ended 31 December 2018, coupon payments were received from CERC accruing up to 20 December 2018. Based on the review report of the financial condition and repayment proposal prepared by the financial adviser appointed by CERC, management believed that CERC had both the intention and ability to settle the outstanding balances and provided an impairment loss of HK\$26 million up to the year ended 31 December 2019 to reflect the reduction in expected cash inflow from the CERC bonds.

As at 31 December 2020, taking into account the weakened global economic condition in oil & gas industry and no positive development on the execution of the revised repayment plan from CERC, the Group considered CERC bonds as credit-impaired assets and took a more conservative forward view to provide an additional lifetime ECL of HK\$30 million during the year ended 31 December 2020, which is mainly based on the various possible scenarios of discounted cashflow of the revised repayment schedules with reference to the valuation performed by an independent firm of professionally qualified valuers.

During the Period, the Group continued to closely monitor the situation. As at 30 June 2021, the Group performed an impairment assessment under the ECL model. After making reference to a valuation performed by an independent valuer as at 30 June 2021, the Group was of the view that no further impairment losses were required.

⁹ The interest income of HK\$9 million is a combination of HK\$6 million earned from a HK\$230 million bond portfolio with property developers/property management companies and other HK\$3 million earned from a bond portfolio of HK\$111 million made up of issuers with various financial institutions.

Other bonds

For the remaining of the Group's portfolio of fixed income securities carried at amortised cost, management reviews the monthly investment report provided by an external investment bank, to assess if any significant increase in credit risk is identified for the rest of the portfolio. Taking into account the average cumulative issuer-weighted global default rates and average corporate debt recovery rates with credit rating profile similar to each of fixed income securities in our portfolio, the Group provided an additional ECL provision of HK\$5 million (2020: HK\$20 million) for the Period.

At 30 June 2021, the Group's net current assets amounted to HK\$3,601 million (31 December 2020: HK\$3,834 million), a decrease of 6%, which was mainly due to the negative EBITDA recorded during the Period. The current ratio, expressed as the ratio of current assets to current liabilities, was 2.5 at 30 June 2021 (31 December 2020: 2.5).

Borrowings at 30 June 2021 totalled HK\$3,762 million (31 December 2020: HK\$3,753 million) which were made up mainly by the TVB Notes and a long-term bank loan. TVB Notes, issued by TVB Finance Limited, are guaranteed by the Company and are listed in Hong Kong. The proceeds from TVB Notes had been deployed to fund the development of the digital new media business and other capital expenditures, and for general corporate purposes. At 30 June 2021, the Group's net TVB Notes balances were US\$235 million, which was kept at the same level as 31 December 2020. In July 2020, the Group drew down a 3-year unsecured term loan facility from a bank amounting to US\$250 million in preparation for redemption of the TVB Notes in October 2021. At 30 June 2021, the Group's gearing ratio, expressed as a ratio of net debt to total equity, was 13.8% (31 December 2020: 8.6%).

OTHER ITEMS IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables (net of impairment loss) amounted to HK\$956 million (31 December 2020: HK\$1,096 million), a decrease of 13%, which was mainly due to more efforts on debt collection process with tighter credit control on new customers during the Period. Impairment loss provisions are calculated based on the Group's past history, existing market conditions and forward looking estimates at 30 June 2021.

Other receivables, prepayments and deposits showed a mild increase from HK\$538 million at 31 December 2020 to HK\$571 million at 30 June 2021, which was due to more advances made for programme production, for the second half of year 2021.

Trade and other payables and accruals decreased from HK\$624 million to HK\$567 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's foreign currency 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 bank borrowings, and TVB Notes. 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 Period.

SHARE OPTION SCHEME

The Company and a wholly-owned subsidiary, Big Big e-Commerce Group Limited ("BBECGL") adopted the Share Option Scheme and the Subsidiary Share Option Scheme (collectively "Share Option Schemes") respectively on 29 June 2017. These Share Option Schemes are valid and effective for a period of ten years from the date of adoption. 17,000,000 share options were granted by the Company under the Share Option Scheme in 2018. During the Period, no share options had been granted by the Company under the Share Option Scheme or by BBECGL under the Subsidiary Share Option Scheme respectively. As a result of the retirement/resignation of several grantees, 1,000,000 and 3,750,000 share options under the Share Option Scheme was lapsed during the year ended 31 December 2020 and during the Period respectively, with 12,250,000 share options outstanding at 30 June 2021.

HUMAN RESOURCES

At the Period end, the Group employed a total of 3,669 full-time employees (31 December 2020: 3,644), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers.

For employees in Hong Kong, different pay schemes apply to contract artistes, sales, and non-sales personnel. Contract artistes are paid either per show or per package of shows. Sales personnel are remunerated on commission-based schemes, while non-sales personnel receive monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance. About 2% of the Group's manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

Under the Share Option Schemes of the Group, options may be granted to directors and employees of the Group to subscribe for shares in the Company and in BBECGL.

From time to time, the Group organises, either in-house or with other vocational institutions, seminars, courses, and workshops on subjects of technical interests, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives. To sustain the long term steady supply of human resources for production, the Group has implemented a number of new initiatives during the Period targeting recruitment, training and development of talents and staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within our business.

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 stakeholders.

The Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Period.

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 ("Model Code") as set out in Appendix 10 of the Listing Rules, 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 (including the Directors retired and resigned during the Period) and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance and have confirmed that they had complied with the Model Code during the Period.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company. The Audit Committee of the Board has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed consolidated financial information and the interim report for the Period.

INTERIM DIVIDEND

No interim dividend was declared by the Board for the six months ended 30 June 2021.

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 purchased or sold any of the Company's listed securities during the Period.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the designated issuer website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://corporate.tvb.com>). The interim report for the Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in mid-September 2021.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 25 August 2021

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

Chairman and Non-executive Director

Thomas HUI To

Non-executive Directors

LI Ruigang

Anthony LEE Hsien Pin

Kenneth HSU Kin

Independent Non-executive Directors

Dr. William LO Wing Yan JP

Dr. Allan ZEMAN GBM, GBS, JP

Felix FONG Wo BBS, JP

Belinda WONG Ching Ying