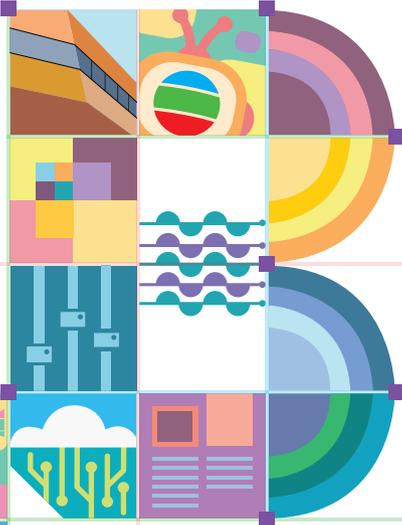
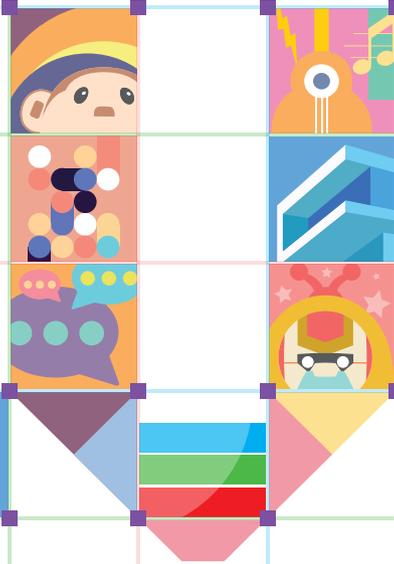
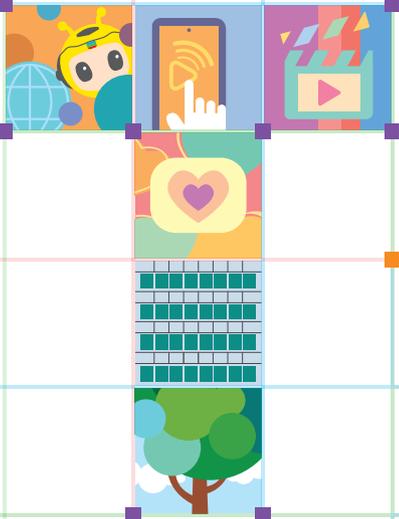




TVB



MYTV SUPER



T V B

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Television Broadcasts Limited  
電視廣播有限公司

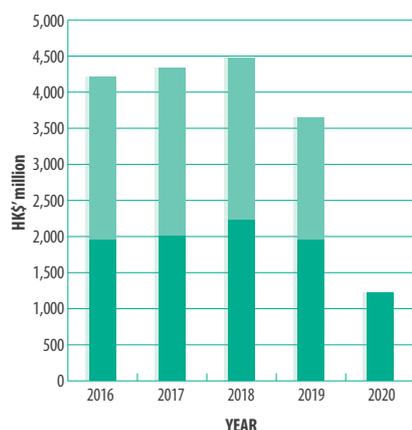
Stock Code 股份代號 : 00511

# FINANCIAL HIGHLIGHTS

## Revenue

Continuing operations

■ 1st Half ■ 2nd Half



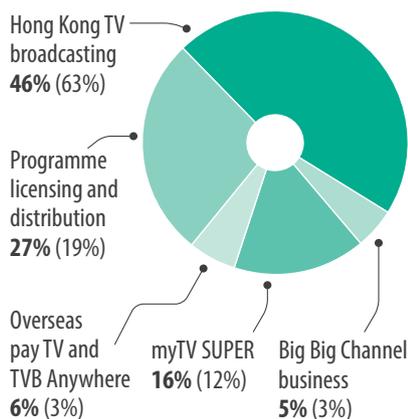
## Profit/Loss Attributable to Equity Holders of the Company

■ 1st Half ■ 2nd Half



## Revenue from External Customers by Operating Segment

% relating to 1st half of 2019 are shown in brackets



## Six months ended 30 June

2020 2019 Change

### Performance

(Loss)/earnings per share **HK\$(0.67)** HK\$0.49 N/A

Interim dividends per share – HK\$0.30

HK\$'mil HK\$'mil

### Revenue from external customers

- Hong Kong TV broadcasting	561	1,228	-54%
- myTV SUPER	202	226	-11%
- Big Big Channel business	62	61	1%
- Programme licensing and distribution	326	381	-14%
- Overseas pay TV and TVB Anywhere	74	68	10%
- Other activities	1	1	1%
	<b>1,226</b>	<b>1,965</b>	<b>-38%</b>

HK\$'mil HK\$'mil

### Segment profit/(loss)\*

- Hong Kong TV broadcasting	(509)	78	N/A
- myTV SUPER	1	32	-96%
- Big Big Channel business	31	14	123%
- Programme licensing and distribution	143	278	-49%
- Overseas pay TV and TVB Anywhere	(3)	(8)	-64%
- Other activities	(1)	(3)	-28%
- Corporate support#	(75)	(75)	-1%
	<b>(413)</b>	<b>316</b>	<b>N/A</b>

Total expenses<sup>Δ</sup> **1,572** 1,770 -11%

(Loss)/profit attributable to equity holders **(293)** 213 N/A

30 June 31 December

2020 2019

HK\$'mil HK\$'mil

Total assets	7,882	8,595	-8%
Total liabilities	2,678	3,006	-11%
Total equity	5,204	5,589	-7%

Number of issued shares **438,000,000** 438,000,000

### Ratios

Current ratio	5.3	4.2
Gearing	15.7%	19.6%

\* excluding non-recurring income/(expenses)

# comprised mainly interest costs of TVB Notes

Δ represented the total of cost of sales, selling, distribution and transmission costs and general and administrative expenses together with income tax

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# CORPORATE INFORMATION

## CHAIRMAN EMERITUS

The late Sir Run Run SHAW GBM

## BOARD OF DIRECTORS

### CHAIRMAN

Thomas HUI To

### VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mark LEE Po On Group Chief Executive Officer

### NON-EXECUTIVE DIRECTORS

Thomas HUI To

LI Ruigang

Anthony LEE Hsien Pin

CHEN Wen Chi

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. William LO Wing Yan JP

Professor Caroline WANG Chia-Ling

Dr. Allan ZEMAN GBM, GBS, JP

Felix FONG Wo BBS, JP

Belinda WONG Ching Ying

## BOARD COMMITTEES

### EXECUTIVE COMMITTEE

Mark LEE Po On Chairman

Thomas HUI To

LI Ruigang

### AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman

Anthony LEE Hsien Pin

Professor Caroline WANG Chia-Ling

Felix FONG Wo

### REMUNERATION COMMITTEE

Belinda WONG Ching Ying Chairman

LI Ruigang

Felix FONG Wo

## NOMINATION COMMITTEE

Felix FONG Wo Chairman

Thomas HUI To

Anthony LEE Hsien Pin

Dr. William LO Wing Yan

Dr. Allan ZEMAN

Belinda WONG Ching Ying

## RISK COMMITTEE

Felix FONG Wo Chairman

Mark LEE Po On

Dr. William LO Wing Yan

Professor Caroline WANG Chia-Ling

## INVESTMENT COMMITTEE

Anthony LEE Hsien Pin Chairman

Thomas HUI To

Mark LEE Po On

Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

## SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer

Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)

Felix TO Chi Hak Deputy General Manager (Programme and Production)

Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

## COMPANY SECRETARY

Adrian MAK Yau Kee

Email: [companysecretary@tvb.com.hk](mailto:companysecretary@tvb.com.hk)

Fax: +852 2358 1337

## REGISTERED OFFICE

TVB City, 77 Chun Choi Street

Tseung Kwan O Industrial Estate

Kowloon, Hong Kong

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## LEGAL ADVISERS

Freshfields Bruckhaus Deringer  
Mayer Brown  
Stephenson Harwood

## PRINCIPAL BANKERS

Shanghai Commercial Bank Limited  
Bank of Communications Co., Ltd. Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Chong Hing Bank Limited  
UBS AG

## SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## STOCK CODES

TVB Ordinary Shares

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

TVB Finance Guaranteed Notes

The Stock Exchange of Hong Kong: 04577  
ISIN: XS1495978329  
Common Code: 149597832

## AMERICAN DEPOSITARY RECEIPTS

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

## INVESTOR RELATIONS

Email: [ir@tvb.com.hk](mailto:ir@tvb.com.hk)  
Fax: +852 2358 1337

## WEBSITE

[www.corporate.tvb.com](http://www.corporate.tvb.com)

## CORPORATE CALENDAR

**FOR HOLDERS OF US\$500,000,000 AGGREGATE  
PRINCIPAL AMOUNT OF 3.625 PERCENT  
GUARANTEED NOTES DUE 2021 ISSUED BY  
TVB FINANCE LIMITED**

### INTEREST PAYMENT FOR 2020

2nd interest payment: 11 October 2020

### MATURITY DATE

11 October 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

This year began with the adverse impact of the COVID-19 pandemic subsequent to the 2019 social unrest events in Hong Kong. This pandemic further depressed the already fragile local economy and significantly dampened market sentiment.

The Company's immediate responses to the pandemic were directed towards protecting the health of our employees; ensuring continuous operation and services; mitigating impact of the virus on the community; and maintaining the financial health of the Company.

Employees' health remains at the top of our list of priorities. Since early January, we instigated prompt measures to ensure a healthy and safe working environment including work-from-home arrangements which helped minimise physical contact amongst staff; providing sufficient protective materials for employees including artistes; maintaining the highest standard of cleanliness in studios and offices. Much to our relief, cases of infection amongst staff members were minimal, and our broadcasting and programme production activities sustained full operation during the six months ended 30 June 2020 (the "Period").

To help mitigate impact of the spread of the virus, we produced a series of short programmes *Let's Build Resilience Against Pandemic* (疫境自強) to promote positive living under stress and anxiety. By adopting a self-narrating format, a number of artistes and members of the public shared their own personal stories in confronting the hardships. To further strengthen the dissemination of anti-pandemic information, *Scoop* (東張西望) was used to deliver news updates and health related information to raise awareness. We hope that we can promote knowledge of the basic preventive measures. With over six months of efforts, we are indeed grateful to learn that these programmes were well-received.

We continued to monitor closely our cashflow amid a declining business environment and ensured that we maintain a sufficient level of cash to meet our needs.

Ironically, we achieved significant improvements in TV ratings of prime time drama serials during the Period as viewers were homebound to enjoy our channels. However, the demand for advertising services on terrestrial TV channels remained very weak amid the COVID-19 outbreak, resulting in a 69% year-on-year decline in income from advertisers under Hong Kong TV Broadcasting segment in the first half of 2020. We had to carefully monitor costs and make adjustments to optimise the overall costs of programmes of the five channels. The overall results for the broadcasting segment was a loss of HK\$515 million (2019: profit of HK\$58 million).

The impact of the pandemic is equally prominent in our major licensing territories. Licensing businesses in the major markets managed to sustain to some extent due to the contractual fee structure, but advertising fee-based businesses contracted. We are working hard to drive revenue from digital platforms – OTT; social media and e-commerce. Notably, Big Big Shop is benefitting from the online shopping trend amid effect of the pandemic.

During the Period, new content supply agreements were signed with Huawei and China Mobile, respectively, while both of which have very large number of mobile device users in multiple countries. This will further accelerate the growth of our digital content distribution to a new international level.

## OUTLOOK

Mainland China is one of the Group's key markets for future growth. The co-production business has been strengthened with a solid pipeline of drama projects currently under production and under active negotiation. We are working to enrich our offerings by adding variety programmes to the co-production genre.

Recently, Youku and TVB entered into a strategic framework cooperation agreement to strengthen cooperation on distribution and production of dramas and variety shows, artiste management, e-commerce and streaming service which will increase exposure of TVB's content on Youku's platform. The latest partnership with Youku is set to further boost IP development, content distribution and co-production opportunities for TVB.

Adopting a direct-to-consumer strategy for growth, myTV SUPER will invest in platform-specific content, myTV SUPER Original, to be launched in the last quarter of 2020 as the key market differentiator.

Big Big Shop should continue to ride on the popular online shopping trend and benefit from the immense promotional power of Jade to raise sales and broaden its sales territories beyond Hong Kong.

Internationally, we expect our TVB Anywhere OTT service to replace conventional licensing and directly capture a larger share of overseas Chinese audience, by leveraging on TVB's high quality and deep archive of Chinese language content.

## HONG KONG TV BROADCASTING

For the period ended 30 June	2020 HK\$ million	2019 HK\$ million	Year-on-year change
Segment revenue (external)	561	1,228	-54%
Inter-segment revenue	16	22	-27%
Less: costs	(1,092)	(1,192)	-8%
Segment (loss)/profit	(515)	58	Loss-making

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 declined 54% from HK\$1,228 million to HK\$561 million. As a direct consequence of the impact of COVID-19 pandemic, the demand for advertising services on terrestrial TV channels remained very weak throughout the Period, and therefore income from advertisers under this segment declined 69% from HK\$1,136 million to HK\$351 million. Co-production of drama serials with mainland China's online platforms had resumed for the Period, which generated a total income of HK\$146 million (2019: Nil). By exercising careful controls, total costs declined 8% from HK\$1,192 million to HK\$1,092 million. Overall, this segment reported a loss of HK\$515 million for the Period (2019: profit of HK\$58 million).

The road to recovery is full of uncertainties. Outlook of the Group's advertising-related businesses in Hong Kong will remain challenging for the remaining months of 2020, but we are cautiously optimistic that our businesses in the second half of 2020 will progressively recover. We are confident that our service propositions covering online and offline platforms are attractive to advertisers and marketers in the region including the Greater Bay Area.

## TV ADVERTISING

Local businesses have already been shoved to absorb multiple blows. First came the social unrest which started in June 2019. On-going anti-government protests weighed on the inbound tourism and sapped consumer sentiment. Then the first wave of COVID-19 cases hit in January 2020. Implementation of travel bans brought inbound tourism to a halt, and austere labour market conditions slammed the consumption sentiment. GDP suffered a record contraction of 9.1% and 9.0% in the first and second quarter of 2020, respectively. The value of total retail sales shrunk 33.3% for the first six months of 2020. Of all, sales of jewellery, watches, clocks and valuable gifts endured the largest year-on-year decline at 65.5%, while medicines and cosmetics slumped 54.7%. Unemployment rate rose to 6.2% for the three-month rolling period from April to June 2020, the highest in more than 15 years. While containment measurements abated the local virus situation momentarily in May and June and aided the city's return to relative normalcy, the recent wave of epidemic recurrence could hammer the embattled economy further.

# MANAGEMENT DISCUSSION AND ANALYSIS

Battered by the prevalent domestic and external economic crisis, advertisers adopted survival plans by cutting their spending. With virtually no inbound travellers, the fast-moving consumer goods sector, including milk powder; personal care and beauty; beverages and dining, which places heavy reliance on tourist spending recorded a steep decline.

Against this troubled advertising environment, we canvassed spending from categories less affected by the pandemic such as pharmaceutical and healthcare; hygiene products; property development; banking and finance. During the first quarter, we launched special packages targeting businesses from these categories. Noting that advertisers may need more flexibility, a comprehensive service bundle comprising product placement, info-service and commercial spot is in the offerings.

## TERRESTRIAL TV CHANNELS

As a major broadcaster, TVB is mindful of the public's expectation on up-to-date information. We operate round-the-clock free-to-air programming services, and for the Period, noted significant improvements in TV ratings of prime time programmes. Naturally, pandemic-related programmes were well-received since the outbreak. On flagship Jade, we dedicated positive stories in our programmes and hoped that these can serve to motivate and disseminate positive thinking.

### JADE CHANNEL

Jade's programming strategy is missioned to keep the public informed, educated and entertained. During this Period, we produced in-depth reports on epidemic-control measurements, medical and health advice, including *The Coronavirus Forum* (全民開講齊抗疫), *Sidewalk Scientist Coronavirus Special* (學是疫學非) and in-programme segments of *Scoop* (東張西望) and *Sidewalk Scientist (Sr. 7)* (學是學非).

Epidemic prevention supplies were in short supply during the early phase of the outbreak. A donation appeal was made through *Scoop* (東張西望) to gather virus prevention supplies, including face masks and sanitisers, to meet the pressing needs of the less-privileged families and protect the at-risk groups. This campaign was well-supported as more than one million items of supplies were collected from donors within a short space of time for distribution.

With more families confined to their homes, TV ratings of our prime time drama serials improved notably. *Forensic Heroes IV* (法證先鋒IV), the fourth sequel of a popular police procedural series, which was about forensic teams investigating a variety of murder cases ended on a big hit. This blockbuster scored an average rating of 36.3 TVRs<sup>1</sup>, with the top rated episode at 40.0 TVRs. Police-themed drama serial *Airport Strikers* (機場特警) also received an impressive average rating of 33.2 TVRs. Another crime-action comedy *Death By Zero* (殺手) also gained popularity as its finale topped a rating of 35.2 TVRs.

In the midst of adversities, we produced a positive reinforcement programme *We shall stand together to rebuild the city* (疫/逆境同行 • 香港再起動) to boost morale amongst citizens. A series of short programmes *Let's Build Resilience Against Pandemic* (疫境自強) was hosted by a number of artistes and members of the public who shared their own personal stories in confronting the hardships.

<sup>1</sup> 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 OTT service (STB, App, Web) as well as VOD viewing of that programme within seven days after being aired on terrestrial TV. For 2020, total TV population comprises 6,539,000 viewers, and 1 TVR represents 65,390 viewers (1% of the total TV population). Data source: CSM Media Research, Adobe Analytics & Nielsen Out-of-home Study.

The list of variety programmes continued with a brand new marketing programme *Big Big Shopping Nite* (big big shop 感謝祭) broadcast on selected Saturday nights which was purposely designed to showcase, selected goods on sale in Big Big Shop using our artistes. This cross-platform promotion effort is part of our strategy of “Showing on TV, Selling in Big Big Shop” and takes advantage of the immensely powerful promotional power of Jade. Progressively, we have extended this cross-platform promotion to other variety programmes, including *Scoop* (東張西望), *Homegrown Flavours* (香港原味道), *Savoury Taiwan* (台灣原味道), *Big City Shop* (流行都市) and *All Things Girl* (姊妹淘).

## J2 CHANNEL

Cultivating viewership from the youth audience remains J2's priority. During the Period, we made some scheduling changes to bring audience the hottest dramas from Japan, Korea, Taiwan and mainland China during late prime time.

Station-created chic and experiential travelogue is a signature genre on J2. Amid the travel restrictions, we engaged our team stationed in Taiwan to produce a series of lifestyle varieties, including *Taiwan Fun 101* (台北101種玩法), *Night Marketeers* (蒲夜市), *Tainan Walker* (潮遊台南), *Go Go! Summer Go!* (在夏天出發). Together with *Arabian Days & Nights* (這一站阿拉伯), these travelogues fed the audience's wanderlust fittingly.

## TVB NEWS CHANNEL

Channel 83 TVB News remains the “go-to” place for live coverage of major updates on the global pandemic situation and health-related matters. The news team keeps close checks on the emerging situation around the globe, and updating anti-epidemic information using a number of mini-programme series including *Anti-coronavirus Handbook* (抗疫手冊), *China Anti-COV Update* (全國抗疫快訊), *Anti-coronavirus Strategy* (抗疫攻略), *Anti-COV Guide* (抗疫指南) and *Anti-COV Story* (抗疫•情). Timely, trusted news and useful precautionary advice kept audience tuned in and further increased the in-home live rating of TVB News Channel to 2.1 TVRs during prime time for the Period (2019: 1.4 TVRs)<sup>2</sup>.

TVB News has also strengthened its news content for both Jade and Pearl channels. Jade extended weekday *News At 630* (六點半新聞報道) to a 45-minute report, which is followed by a 5-minute *Global View* (世界觀) to give a fair and broad discussion on international news and current affairs. TVB News continues to enrich offerings of inspiring mini programmes, including *As Far As You Reach* (這麼遠·那麼近) and *5G The Next-Gen* (5G新世代).

## PEARL CHANNEL

Pearl's programming was revamped to further enrich its entertainment content. From April, all-time favourite weekend movies were extended to include Friday nights. The weekend blockbuster timeslot from Fridays to Sundays continues to attract sizable viewership with *Kingsman: The Secret Service* and *Cinderella* recording an average rating of 6.5 TVRs and 5.8 TVRs respectively.

*News roundup* on Pearl has been rescheduled to an earlier slot on Monday to Thursday's prime time, while *Putonghua News Report* and *China 24* were added.

## TVB FINANCE & INFORMATION CHANNEL

TVB Finance & Information Channel recorded a higher in-home live rating of 0.9 TVRs during prime time (2019: 0.6 TVRs).

The channel endeavours to stay ahead and keep audience abreast of the rapidly changing economy of the region. Besides financial related content, a wide range of international documentaries is supplemented for programming. At the popular 20:30 station-produced time slot, the channel covers investment related topics ranging from property, health, education, career to knowledge. In addition to documentaries *Vital Lifeline* (最強生命線) and *Revel in Retirement* (無耆不有), new programmes such as *Hong Kong Marriage* (港式婚姻) and *News Treasury* (新聞掏寶) were added to the line-up.

<sup>2</sup> Data source: CSM Media Research.

# MANAGEMENT DISCUSSION AND ANALYSIS

## myTV SUPER

For the period ended 30 June	2020 HK\$ million	2019 HK\$ million	Year-on-year change
Segment revenue (external)	202	226	-11%
Inter-segment revenue	12	12	–
Less: costs	(213)	(206)	3%
Segment profit	1	32	-96%

Segment revenue from external customers decreased from HK\$226 million to HK\$202 million, a decline of 11%. Included in segment revenue was advertising revenue which decreased from HK\$98 million to HK\$53 million, a decline of 46% due to the weak market sentiment. Subscription revenue increased from HK\$126 million to HK\$146 million, an increase of 16%. Increase in annual subscription fees upon renewal since December 2019 helped increase the ARPU during the Period.

As of 30 June 2020, myTV SUPER's total registered user base had increased to 8,580,468 (2019: 7,717,195), an increase of 11% across the three service platforms. Out of this total, 1,286,326, 6,137,901, and 1,156,241 users were registered under set-top-boxes ("STBs"), mobile devices and the portal, respectively. Total number of paying subscribers has increased to approximately 1.3 million. The growth in registered users was mainly fueled by users from mobile devices who opt for the free service. This customer segment is important as they belong to the young demographics and can become paying subscribers later.

Strategically, we are positioned to growing more direct-to-consumer revenue. myTV SUPER now offers a tiered product structure consisting of myTV Gold and the basic pack. myTV Gold service, launched in April 2019, has a growing base of over 40,000 paying users. This is the top tiered product offering over 55 channels (including 25 additional premium channels) and more than 87,000 hours of VOD content (including TVB's archive) under a fixed subscription fee.

myTV SUPER enriched sports offering by introducing two soccer leagues, namely K League and Bundesliga. More live soccer games such as FA Cup, Swedish Allsvenskan and Eredivisie will be added.

The platform also launched thematic Subscription Video-on-Demand (SVOD) zones for Chinese and Korean drama fans. Under the new arrangement, a selection of Korean drama serials will be premiered on the same day as their home market releases.

Viewers are consuming more content during the pandemic. During the week of 23 March 2020, the total time spent on myTV SUPER platform reached a record high of 26.6 million hours per week (equivalent to a weekly consumption of 21.3 hours per unique stream viewer), as well as an all-day-all-time rating of 2.42 TVRs, and a prime time rating of 4.27 TVRs. The prevailing stay at home routine will continue to encourage families to focus more on home entertainment via OTT services. myTV SUPER is planning to strengthen its exclusive content offering (whether TVB or third party produced) under myTV SUPER Original to be launched in the fourth quarter of 2020.

With the positive responses from the clickable TV ads launched last year, myTV SUPER further extended this service by offering an e-commerce platform (named "OK BUY") to capture consumers' impulsive buying behaviour. In the first phase, viewers can connect up with the advertisers' e-commerce platforms through mobile devices. Further development efforts are being made to eventually build a total transaction platform.

## BIG BIG CHANNEL BUSINESS

For the period ended 30 June	2020 HK\$ million	2019 HK\$ million	Year-on-year change
Segment revenue (external)	62	61	1%
Inter-segment revenue	34	25	33%
Less: costs	(65)	(72)	-11%
Segment profit	31	14	123%

Big Big Channel (“BBC”) Business comprises social media, e-commerce, events management, and music entertainment. During the Period, external segment revenue increased by 1% from HK\$61 million to HK\$62 million, which was mainly contributed by growth in e-commerce and short video licensing business, but partly offset by drop in revenue from events management (due to the pandemic). In addition to revenue growth, some cost saving measures were made which contributed to growth of the overall segment profit to HK\$31 million (2019: HK\$14 million), an increase by 123%.

For monetisation of BBC app, we produced over 8,600 short videos adapted from TVB’s long form content such as drama, variety library content. These contents are also supplied to BBC’s other social media accounts on Facebook, Instagram, Sina Weibo etc. to capture a total of 14.8 million registered users globally. A weekly stream view of 27.4 million was recorded for the last week of June 2020. More online content is under planning, such as online original drama and variety show, vertical thematic content, news, artiste content for multi-channel network and online live shows. BBC is using the expanding follower base to grow video stream views and impression worldwide for monetisation. In addition, we have started to license short videos to third parties. The first of such licensing agreement was entered into with China Mobile to license a library of BBC short videos for its network customers in Hong Kong as a value-added service.

Big Big Shop (“BBS”) is our e-commerce offshoot and has become a recognisable online shopping platform. BBS has adopted the unique strategy of “*Showing on TV, Selling in Big Big Shop*” to benefit from impulsive buying after promotion on TVB channels. To-date, we successfully integrated a range of products into our variety programmes which generated good sales responses. Number of monthly active users and buyers are going up rapidly following the boost using our promotional programmes like *Big Big Shopping Nite* (big big shop 感謝祭) and *Homegrown Flavours* (香港原味道).

On the music distribution business, the Voice Entertainment Group (“VEG”) has broken a few hits with over a million YouTube stream views during this Period, namely Pakho Chau’s *Free My Love* (讓愛高飛) from drama serial *Wonder Women* (多功能老婆) which exceeded 7 million stream views up to July 2020. Also, songs from drama serial *The Exorcist’s 2nd Meter* (降魔的2.0) has spawned three hit singles with over million stream views, with two songs performed by Hubert Wu and one song by Tam Ka Yee. VEG’s YouTube hit rates increased 66% on a year-on-year basis.

## INTERNATIONAL OPERATIONS

Our international operations comprise programme licensing and distribution, overseas pay TV and TVB Anywhere. We continue to transform our programme licensing business from limited-reach business-to-business (“B2B”) conventional licensing to wide-open OTT distribution by diversifying into business-to-consumer (“B2C”) and business-to-business-to-consumer (“B2B2C”) models through collaborating with telcos and hardware device manufacturers in key markets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROGRAMME LICENSING AND DISTRIBUTION

For the period ended 30 June	2020 HK\$ million	2019 HK\$ million	Year-on-year change
Segment revenue (external)	326	381	-14%
Inter-segment revenue	30	32	-5%
Less: costs	(213)	(135)	57%
Segment profit	143	278	-49%

Programme licensing and distribution business comprises the distribution of TVB's programmes outside of Hong Kong through telecast and new media licensing. During the Period, segment revenue decreased by 14% from HK\$381 million to HK\$326 million due to lower sharing of advertising revenue. The absence of the write-back of impairment losses of HK\$38 million booked in the first half of 2019 pertaining to prior year's receivables of Guangdong landing rights fees also contributed to the decline in segment profit.

The pandemic had adversely affected the performance of our international businesses. The economic slowdown in our traditional overseas markets has resulted in higher churn rates and lower ARPU of pay TV services alongside fewer ad spend by advertisers. Confronted with such evolving operating environment, we endeavour to maintain attractiveness of our brand by offering appealing original content.

We renewed the programme supply agreement with MEASAT Broadcast Network System Sdn Bhd ("MEASAT") in Malaysia for a period of three years. Under this new arrangement, multiple TVB channels including TVB Jade, TVB News, TVB Entertainment News, TVB Classic and TVB Xing He are made available to MEASAT's pay TV subscribers. TVB Jade is supplied to replace the Wah Lai Toi channel previously compiled by MEASAT. We hope to strengthen our bond with fans in Malaysia by investing in locally produced contents and delivering more value to advertisers through product placements and title sponsorships.

In Singapore, with our new programme supply agreement with Singtel Global Private Limited ("Singtel") commencing September 2019, we now provide an additional platform choice to viewers beyond our long-standing programme supply arrangements to StarHub Cable Vision Limited ("StarHub"). We are prepared to enrich our offering to Singapore viewers by offering more unique content.

In Vietnam, our programme supply agreement with Saigontourist Cable Television Company Limited ("SCTV") has provided us with steady income in the first half of 2020. This is an important market where we have built a large and growing fans base over the years. Taking the opportunity of our next licence renewal, we are working closely with SCTV to formulate a long-term content strategy for this market.

## MAINLAND CHINA OPERATIONS

Operations in mainland China mainly comprise co-production of dramas and distribution of contents to digital new media platforms. Total revenue from mainland China operations increased by HK\$125 million or 54% from HK\$231 million to HK\$356 million, which was contributed mainly by the drama co-production projects. A total of HK\$146 million co-production income was booked in the first half of 2020 (2019: Nil) for four drama projects-in-progress. However, the growth in China revenue was partially offset by lower revenue from the Guangdong landing rights fees. Licensing income from new media platforms totalled HK\$183 million during the Period (2019: HK\$191 million).

As reported earlier, the year-long suspension of drama co-production business was uplifted in the second half of 2019, and we were able to re-start soon thereafter with the production of the sequel of one of our favourite IPs *Line Walker: Bull Fight* (使徒行者 3). Despite impact of the pandemic, our creative and production teams remained active throughout the Period, and substantive progress was made across our co-production drama-in-progress, including *Line Walker: Bull Fight* (Tencent), *Armed Reaction 2021* (陀槍師姐 2021) (Tencent), *Legal Mavericks 2020* (踩过界II/盲俠大律師2020) (iQiyi), *Murder Diary* (刑偵日記) (Youku). The first three of these titles are targeted for completion in 2020, and *Murder Diary* is for completion in 2021.

Since working with Tencent and iQiyi, we have built a successful track record of six TVB produced titles during the two years 2017 and 2018, which had their own characteristics. This business model has enabled us to build online viewership and strengthen our brand image as a content provider. Over the years, the value of our drama serials has increased.

Youku will become our third co-production partner in this market with our recently announced strategic framework cooperation agreement. TVB and Youku will strengthen cooperation on distribution and production of dramas and variety shows, artiste management, e-commerce and streaming service which will increase exposure of TVB's content on Youku's platform. This latest strategic partnership with Youku is set to further boost IP development, content distribution and co-production opportunities for TVB.

## OVERSEAS PAY TV AND TVB ANYWHERE

For the period ended 30 June	2020 HK\$ million	2019 HK\$ million	Year-on-year change
Segment revenue (external)	74	67	10%
Inter-segment revenue	2	–	N/A
Less: costs	(79)	(75)	4%
Segment loss	(3)	(8)	-64%

This segment revenue comprises income from the USA and TVB Anywhere OTT business. The subscriber base of TVB Anywhere has continued to grow after migrating from the legacy pay TV services, which contributed to a topline growth of 10% from HK\$67 million to HK\$74 million. Segment loss has narrowed from HK\$8 million to HK\$3 million.

### OVERSEAS PAY TV

Operations in the USA cover licensing of programmes to pay TV operators, new media platforms and advertising. Our cooperation with DISH Network is providing us greater flexibility to develop new media business in this market. Both of our free and paid services are available on top video streaming platforms and on connected TV devices including Apple TV, Roku and Amazon's Fire TV.

The pandemic had adversely impacted our business performance. However, we are encouraged by the increase in free zone subscribers during the lockdown which underpins the strong demand for TVB content.

### TVB ANYWHERE

TVB Anywhere, together with subscribers/users from overseas third-party online platforms carrying TVB content, currently has an aggregated user base of approximately 15.2 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

Besides the paid service via STBs, TVB Anywhere+ app is tiered into a paid zone and a free zone. The paid zone offers first run TVB contents and 20,000 hours of TVB library programmes. Its major features include up to six multi-language offering, multiple-screen viewing, and global access with a single sign on. The free zone, equipped with a selection of VOD content, has enabled us to upsell and build our subscriber base further for advertising business.

We operate TVB Anywhere business on B2B2C and B2C models. Through collaborating with telcos and device manufacturers in key Asian markets like Macau, Singapore, Vietnam and Thailand, we have witnessed a steady growth in the subscriber base. Amongst these markets, subscription growth in Macau has been particularly promising, thanks to our partnership with Companhia de Telecomunicações de Macau (“CTM”) since 2018.

In Singapore, TVB Anywhere+ is distributed by all the major telcos – Singtel, StarHub, M1 Limited and MyRepublic Limited as well as direct purchase from App Store and Play Store. Marketing of the application is mainly conducted online which has proven to be more cost effective and efficient in customer acquisition. A steady growth on both free and paid customers has been recorded during the pandemic period as people consumed more online video entertainment.

Localised versions of TVB Anywhere service are available in Vietnam and Thailand, with the aim to extend subscription service to the much larger mainstream audience. Through partnering with Vietnamobile Telecommunications Joint Stock Company, subscriber growth has been notable.

In Malaysia, a free version of TVB Anywhere+ was soft-launched in May 2020, while the paid service will be available in the second half of 2020. We believe our strong bond with fans in this market will help fuel growth in subscription and advertising sources.

In addition to TVB Anywhere service through our branded STB and app, we are co-operating with a number of global video online platforms including YouTube and Line TV to carry our channels and programmes under an ad-supported model. Besides the Cantonese, Mandarin, Vietnamese, Thai, and Cambodian audio versions, two new subtitled versions, namely Bahasa Indonesia and Arabic, have been added to our YouTube offerings. The overall video traffic has increased by more than 50% comparing with the same period last year due to the global increase in online video consumption.

TVB Anywhere has been syndicating its branded SVOD service to global device manufacturers. In April 2020, a TVB Anywhere SVOD service was supplied to Huawei Video app, a pre-loaded application on all Huawei mobile devices. The collaboration allows TVB Anywhere to reach Huawei handset users in 26 markets initially, and increasing to over 50 markets in 2021. TVB Anywhere is targeting to extend branded SVOD services with other device manufacturers.

An updated version of the STB based on an Android TV platform is incorporated into the development plan for 2020. This new STB will aggregate TVB content with other online platforms under one box which will greatly enhance users’ experience.

## FINANCIAL REVIEW

### OPERATING RESULTS

Revenue of the Group decreased from HK\$1,965 million to HK\$1,226 million, a decline of 38%. This decrease was mainly due to a low demand for advertising services since the beginning of the Period which resulted in a sharp decline in advertising revenue from Hong Kong TV Broadcasting from HK\$1,136 million to HK\$351 million, a decline of HK\$785 million or 69%. Offsetting this decline was the recognition of revenue in the amount of HK\$146 million (2019: Nil) from four drama co-production projects (at various stages of completion) and non-advertising revenue from the digital platforms (myTV SUPER, TVB Anywhere, Big Big Channel and Big Big Shop) which rose from HK\$232 million to HK\$272 million, an increase of 17% during the Period.

Cost of sales increased from HK\$911 million to HK\$966 million, an increase of 6%. Included in cost of sales were the cost of programmes and film rights which amounted to HK\$677 million (2019: HK\$676 million). The increase in cost of sales was mainly due to the recognition of the amortised production costs of the four drama co-production projects (not included in cost of programmes and film rights), which was offset by savings from certain tightened cost control measures over production spending.

Selling, distribution and transmission costs decreased from HK\$324 million to HK\$289 million, a decrease of 11%. This decrease was mainly related to the lower sales commission and other reductions in sales-related costs.

General and administrative expenses decreased from HK\$488 million to HK\$391 million, a decrease of 20%. The decrease was attributable to lower salaries and wages under the Hong Kong terrestrial TV broadcasting segment after rationalisation in manpower relating to production supportive services made in December 2019 and certain reductions in overheads.

During the Period, the Group was able to continue its operation uninterrupted. In the meantime, the Group is continuously exercising stringent cost control and improving operational efficiency. Overall, total costs (comprising cost of sales, selling, distribution and transmission costs and general and administrative expenses) together with income tax decreased from HK\$1,770 million to HK\$1,572 million, a reduction of 11%.

A review of the investment portfolio was performed to cover the credit quality of the bond securities and to re-balance the size of the portfolio since a large part of the portfolio now comprised TVB Notes. Certain bond securities with a total carrying amount of HK\$423 million (out of a total carrying value of the portfolio of HK\$1,376 million at 31 December 2019) were disposed of during the Period which generated a gain of HK\$14 million (2019: Nil), negating an impairment loss of HK\$20 million (2019: HK\$20 million) on bond securities at amortised cost.

In addition, the Group disposed of its remaining properties in Taiwan, which were considered non-core assets and resulted in a gain on disposal of HK\$27 million.

Other net losses of HK\$21 million (2019: net gain of HK\$16 million) were recognised which mainly comprised a combination of net exchange losses of HK\$5 million and losses on movie investments of HK\$17 million during the Period.

Interest income totalled HK\$62 million for the Period (2019: HK\$97 million). The lower interest income reflected the gradual reduction in the investment portfolio made as a result of the review noted above.

# MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs totalled HK\$40 million for the Period (2019: HK\$57 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"). During the Period, the Company purchased TVB Notes through the open market amounting to HK\$45 million. The purchase of TVB Notes previously made by way of an open offer during second half of 2019 and the on-market purchases made in the Period had resulted in a reduction of interest costs by HK\$17 million. 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 purchased by the Group on the balance sheet.

Imagine Tiger Television ("ITT"), the joint venture between Imagine Entertainment and TVB, made a net operating loss (before interest expense to TVB) of HK\$3 million during the Period. No profit or loss sharing from ITT, was recognised during the Period (2019: shared a loss of HK\$53 million) as the equity portion of the investment had been fully written down.

The Group recorded an income tax credit of HK\$74 million (2019: tax charge of HK\$46 million), which was mainly arisen from tax losses recognised from 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\$293 million (2019: profit of HK\$213 million), giving a basic and diluted loss per share of HK\$0.67 (2019: earnings per share of HK\$0.49).

Adjusted EBITDA<sup>3</sup> decreased from HK\$546 million in the first half of 2019 to a negative adjusted EBITDA of HK\$210 million during the Period, which was mainly due to the decrease in cashflow from advertising revenue 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 2020 despite a loss recorded during the Period. Total equity stood at HK\$5,204 million (31 December 2019: HK\$5,589 million). There had been no change in the share capital of the Company, with 438,000,000 ordinary shares in issue. The Group maintained a net cash position (defined as the total of cash and bank deposits and the bond portfolio less liabilities for TVB Notes and bank borrowings) of HK\$162 million as of 30 June 2020 (31 December 2019: HK\$352 million).

The Group had unrestricted bank and cash balances of HK\$1,050 million (31 December 2019: HK\$1,185 million). About 44% of the unrestricted bank and cash balances (approximately HK\$463 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 and US dollars.

<sup>3</sup> Adjusted EBITDA means the result for the Period before financial costs, income tax credit/expense, depreciation and amortisation, share of results of joint ventures/associates, interest income, impairment loss net of gain 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.

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. Such fixed income securities are selected 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. The Investment Portfolio is primarily set up to minimise negative carry of coupon on the funds of the Company. In selecting securities for the Investment Portfolio, the Company will take into account the coupon of the TVB Notes as an investment return reference with the view to minimise risks. 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.

As at 30 June 2020, 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\$859 million (31 December 2019: HK\$1,308 million). These fixed income securities (classified under "Bond securities at amortised cost") 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 4.2% per annum (31 December 2019: 4.7%) and have ranges of maturity dates with the last maturity date of 1 October 2027. As at 30 June 2020, the investment portfolio is made up by a total of 19 (31 December 2019: 26) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 1.4% (31 December 2019: 2.5%) of the total assets of the Group. The interest income recognised during the Period from the bond securities at amortised cost amounted to HK\$25 million (2019: HK\$52 million). A performance analysis of fixed income bonds by bond issuers' industry is detailed as below:

Bond issuers by industry	Carrying value (note) HK\$ million	Carrying value over total assets	Interest income during the Period HK\$ million
Property developers/property management companies	468	6%	12
Financial institutions (banking and insurance)	245	3%	9
Others	146	2%	4
	859		25

Note: Net carrying value is stated after amortisation of costs and impairment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SMI Bonds

The Company subscribed a US\$23 million 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) (“Fixed Coupon Bonds”) and US\$83 million 7.5% secured redeemable convertible bonds due 2020 (extendable to 2021) (“Convertible Bonds”) and together with the Fixed Coupon Bonds, the “SMI Bonds”) both issued by SMI. Trading in the shares of SMI has been suspended on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 3 September 2018 and has not been resumed as of the date herein.

Following serving statutory demands by the Company to SMI in relation to SMI Bonds and a petition for winding up of SMI filed in the High Court by the Company during the year ended 31 December 2019, SMI was ordered to be wound up on 7 May 2020 and joint and several liquidators of SMI were appointed on 12 May 2020. On 8 May 2020, the Listing Committee of the Stock Exchange decided to cancel the listing of SMI’s shares.

During the year ended 31 December 2019, due to the fact that SMI is under liquidation petition from its creditors, and also given the outbreak of COVID-19 that halted its main cinema operating businesses in mainland China, management is of the view that any recovery of the remaining carrying value of the SMI Bonds through the winding up petition of SMI, is not likely. As such, the Company reduced the carrying amounts to zero at 31 December 2019.

As at 30 June 2020, after considering the latest development of SMI, management is of the same view that any recovery from the SMI Bonds is not likely, resulting in the carrying amounts of the SMI Bonds to remain at nil.

During the Audit Committee’s review of the Company’s condensed financial information for the six months ended 30 June 2020, the Audit Committee and the Directors are in agreement with the Auditor on their expression of the audit qualification due to the possible effects on the comparability of the current period’s figures and the corresponding figures for the six months ended 30 June 2019 in the interim condensed consolidated income statement and the interim condensed consolidated statement of changes in equity and the related notes disclosures.

Future modification of the auditor’s report in relation to the SMI Bonds would depend on future events or any new information in relation to SMI as such new factors may affect the valuation methodology, inputs, key assumptions and evidence available in arriving at the carrying value assessment of the SMI Bonds at the next balance sheet date. However, the comparability of the 2020 and the 2019 figures in the consolidated income statements for the year ending 31 December 2020 may nevertheless be qualified in the auditor’s report for the year ending 31 December 2020, unless the impairment charge on Fixed Coupon Bonds and the fair value loss of Convertible Bonds for the year ended 31 December 2019 could be restated after obtaining such information necessary for the removal of qualifications regarding limitation on scope of the audit for the years 2018 and 2019. The Audit Committee and the Directors are closely monitoring the latest development of SMI. Nevertheless, due to uncertainty on the future development of SMI, it would not be possible to definitively conclude now on the extent of any audit qualification of the SMI Bonds in respect of the year ending 31 December 2020.

### 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 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 prepared by the financial adviser appointed by CERC, management believes that CERC has both the intention and ability to settle the outstanding balances and provided an impairment loss of HK\$26 million during the year ended 31 December 2018 to reflect the reduction in expected cash inflow from the CERC bonds.

Based on the revised proposal dated 8 November 2019 and 25 March 2020 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, management believes that CERC still has both the intention and ability to settle the outstanding balances under the revised repayment schedule. After performing impairment assessment to estimate any loss allowance on the investment in CERC Bonds, no further impairment losses were made during the year ended 31 December 2019 and the Period.

At 30 June 2020, the Group's net current assets amounted to HK\$3,357 million (31 December 2019: HK\$3,265 million), an increase of 3%. The increase in net current assets was due to the disposals of certain non-current fixed income securities during the Period. The current ratio, expressed as the ratio of current assets to current liabilities, was 5.3 at 30 June 2020 (31 December 2019: 4.2).

Borrowings at 30 June 2020 totalled HK\$1,814 million (31 December 2019: HK\$2,208 million) which were made up mainly by the TVB Notes. During the Period, the Company purchased US\$6 million nominal amount of TVB Notes issued by TVB Finance Limited through open market to form part of the investment portfolio, which the Company's holding as at 30 June 2020 has accumulated up to US\$265 million (31 December 2019: US\$259 million). This holding in TVB Notes was presented and netted off against the liabilities of TVB Notes under "Non-current borrowings" on the Condensed Consolidated Statement of Financial Position.

At 30 June 2020, the gearing ratio, expressed as a ratio of net debt to total equity, was 15.7% (31 December 2019: 19.6%). A 3-year unsecured term loan facility from a bank amounting to US\$250 million was granted in June 2020 and the entire amount was drawn down subsequent to the Period end.

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, investment in ITT and for general corporate purposes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER ITEMS IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables from third parties amounted to HK\$1,116 million (2019: HK\$1,240 million), a decrease of 10%, which was mainly due to the decrease in sales as affected by the COVID-19 pandemic 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 2020.

Other receivables, prepayments and deposits remained at a stable level of HK\$533 million (31 December 2019: HK\$514 million).

Trade and other payables and accruals increased from HK\$650 million to HK\$739 million, which was mainly due to receipt of the Government's Employment Support Scheme for July and August 2020. The portion granted for June of HK\$34 million was recognised as "Other income" in the Condensed Consolidated Income Statement during the Period.

## 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 loans, 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 SCHEMES

The Company and a wholly-owned subsidiary, Big Big Channel Holdings Limited, 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 Big Big Channel Holdings Limited under the Subsidiary Share Option Scheme respectively.

## HUMAN RESOURCES

As of 30 June 2020, the Group employed a total of 3,659 full-time employees (31 December 2019: 3,785), 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 Big Big Channel Holdings Limited.

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 training and development of internal staff for TV production in the areas of design and construction of settings for production, make-up and costume design, with a view to ensure that the necessary skills sets are appropriately retained and developed within our business.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE OF CORPORATE GOVERNANCE

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 Codes as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 the code for Directors and members of Senior Management in their dealings in the securities of the Company.

All Directors (including the Director 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.

## CHANGE IN DIRECTORS' INFORMATION

Subsequent to the provision of the biographical details of the Directors in the latest published 2019 Annual Report of the Company and up to the date of this interim report, the following changes in Director's information took place which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Felix Fong Wo resigned as an independent non-executive director of Evergreen International Holdings Limited on 31 March 2020, Sheen Tai Holdings Group Company Limited on 29 May 2020 and WuXi Biologics (Cayman) Inc. on 9 June 2020 respectively, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Dr. William Lo Wing Yan has been appointed as an independent non-executive director of South Shore Holdings Limited on 6 April 2020, which is listed on the Main Board of the Stock Exchange.

## BOARD OF DIRECTORS AND ITS COMMITTEES

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

The Board is the highest governing body of the Company and is supported by six Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the Investment Committee. Each of them has defined terms of reference covering its authority, duties and functions.

During the Period, the following changes to the composition of the Board and its Committees took place:

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On 4 February 2020	
• Board	Dr. Charles Chan Kwok Keung resigned as Chairman and Non-executive Director.

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On 12 February 2020	
• Executive Committee	Mr. Li Ruigang was appointed as a new member of the committee replacing Mr. Chen Wen Chi and Mr. Mark Lee Po On was re-designated as the chairman of the committee.
• Audit Committee	Mr. Felix Fong Wo was appointed as a new member of the committee.
• Remuneration Committee	Ms. Belinda Wong Ching Ying was appointed as the chairman of the committee, and both Mr. Li Ruigang and Mr. Felix Fong Wo were appointed as new members of the committee. Dr. William Lo Wing Yan retired as member of the committee.
• Nomination Committee	Mr. Felix Fong Wo was appointed as the chairman of the committee, and both Mr. Thomas Hui To and Ms. Belinda Wong Ching Ying were appointed as new members.
• Risk Committee	Mr. Felix Fong Wo was appointed as the chairman of the committee. Dr. William Lo Wing Yan was re-designated as a member of the committee.
• Investment Committee	Mr. Anthony Lee Hsien Pin was re-designated as the chairman of the committee and Mr. Mark Lee Po On was appointed as a new member of the committee.

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On 29 April 2020	
• Board	Mr. Thomas Hui To was appointed as Chairman and re-designated as Non-executive Director. Mr. Mark Lee Po On, Executive Director and Group Chief Executive Officer, was further appointed as Vice Chairman. Mr. Li Ruigang, ceased to be Vice Chairman but remains as Non-executive Director.

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On 27 May 2020	
• Board	Mr. Li Ruigang, Non-executive Director was successfully re-elected as Director at the annual general meeting of the Company on 27 May 2020 ("2020 AGM"). Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying were successfully elected as Directors at the 2020 AGM.

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# CORPORATE GOVERNANCE AND OTHER INFORMATION

At 30 June 2020, the Board and its Committees comprised:

Board of Directors	Also serving	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Investment Committee
<b>Chairman and Non-executive Director</b>							
Thomas Hui To		M	-	-	M	-	M
<b>Vice Chairman and Executive Director</b>							
Mark Lee Po On		C	-	-	-	M	M
<b>Non-executive Directors</b>							
Li Ruigang		M	-	M	-	-	-
Anthony Lee Hsien Pin		-	M	-	M	-	C
Chen Wen Chi		-	-	-	-	-	-
<b>Independent Non-executive Directors</b>							
William Lo Wing Yan		-	C	-	M	M	-
Caroline Wang Chia-Ling		-	M	-	-	M	-
Allan Zeman		-	-	-	M	-	-
Felix Fong Wo		-	M	M	C	C	-
Belinda Wong Ching Ying		-	-	C	M	-	-
<b>Senior Management</b>							
Adrian Mak Yau Kee		-	-	-	-	-	M

C: Chairman of the committee

M: Member of the committee

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

### Interests in the shares of the Company

Name of Director	Number of Shares held					Percentage in share capital (%) <sup>(a)</sup>
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Mark Lee Po On	–	438,000	–	–	438,000 <sup>(d)</sup>	0.10
Li Ruigang	–	–	113,888,628	–	113,888,628 <sup>#(b)(d)</sup>	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 <sup>#(c)(d)</sup>	26.00
		17,071,101			17,071,101 <sup>#(c)(d)</sup>	3.90

#### Notes:

- Duplication of shareholdings occurred between parties<sup>#</sup> shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".
- The nature of the interests shown in the table here is provided in the notes below and the notes under the sub-heading of "Other Persons' Interests in the Shares of the Company".
- Share(s): Ordinary share(s) of the Company.

At 30 June 2020:

(a) Percentage in share capital was based on the 438,000,000 Shares in issue.

(b) Mr. Li Ruigang ("Mr. Li") was deemed to be interested in 113,888,628 Shares. Such interests were held indirectly through the interest of CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") in Young Lion Holdings Limited ("YLH"). CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Ltd. ("CMC M&E Holdings"), which was in turn a wholly-owned subsidiary of CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited ("Gold Pioneer"). Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited ("GLRG Holdings"). Gold Pioneer was wholly-owned by Brilliant Spark Holdings Limited ("Brilliant Spark"). Brilliant Spark was wholly-owned and controlled by Mr. Li.

Each Mr. Li and Brilliant Spark, CMC Inc., CMC M&E Holdings, CMC M&E Acquisition, the corporations controlled by Mr. Li reported that there has been a change in nature of his/its interest in the 17,071,101 Shares in these 113,888,628 Shares because of the proposed transactions relating to the re-organisation of the ownership interests among the shareholders of YLH ("Proposed Transactions"). The Proposed Transactions are subject to the approval of the Communications Authority ("CA"). The Company has applied to the CA for the necessary approval.

(c) Mr. Chen Wen Chi ("Mr. Chen") was deemed to be interested in these 113,888,628 Shares. Such interest was indirectly held by his spouse, Ms. Wang Hsiueh Hong ("Ms. Wang") through Profit Global Investment Limited ("Profit Global"), in which Ms. Wang indirectly held an interest. Profit Global was a party of the investor group which indirectly held the said Shares through Shaw Brothers Limited ("Shaw Brothers"), an indirect wholly-owned subsidiary of YLH.

Each Ms. Wang, Mr. Chen, Kun Chang Investment Co., Ltd. ("Kun Chang") and Profit Global reported that there has been a change in nature of her/his/its interest in the 17,071,101 Shares in these 113,888,628 Shares because of the Proposed Transactions.

(d) The interests held by these Directors represented long positions.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Interest in the underlying shares of the Company

Name of Director	Number of underlying shares held					Percentage in share capital (%) <sup>(a)</sup>
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Thomas Hui To	2,000,000	–	–	–	2,000,000	0.46
Mark Lee Po On	2,000,000	–	–	–	2,000,000	0.46

Notes:

At 30 June 2020:

- (a) Percentage in share capital was based on 438,000,000 Shares in issue.
- (b) Share options (“Options”) were granted to the Directors on 22 March 2018 under the share option scheme adopted by TVB on 29 June 2017. Each Option entitles the holder to subscribe for one Share. Details of the share option scheme of the Company are set out on pages 27 to 28 in this Interim Report.
- (c) The exercise price of the Options granted is HK\$25.84 per share.
- (d) The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).
- (e) The vesting periods of the Options, are set out below:
  - (i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
  - (ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
  - (iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
  - (iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
  - (v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

The Options are exercisable from the aforesaid dates until 22 March 2023.
- (f) All the interests stated above represent long positions.

## Interests in the shares of the associated corporation of the Company

Name of associated corporation	Name of Director	Number of shares held					Percentage in share capital (%) <sup>(a)</sup>
		Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Shine Investment Limited	Li Ruigang	–	–	102	–	102 <sup>(b)(c)</sup>	85.00

Notes:

At 30 June 2020:

- (a) Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation in issue.
- (b) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which were controlled by Mr. Li Ruigang.
- (c) The interests held by this Director represented long positions.

Save for the information disclosed above, at no time during the Period, the Directors and chief executive of the Company (including their spouses, and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 June 2020, the interests or short positions in the shares and the underlying shares of the Company of the persons (other than the Directors and chief executive of the Company), being 5% or more in the Shares, as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

### Interests in the shares of the Company

Name	Number of Shares held	Percentage in share capital (%) <sup>(a)</sup>
Shaw Brothers Limited <sup>(b)</sup>	113,888,628 <sup>#(c)(g)(j)</sup>	26.00
Young Lion Acquisition Co. Limited	113,888,628 <sup>#(c)(g)(j)</sup>	26.00
Young Lion Holdings Limited	113,888,628 <sup>#(c)(g)(j)</sup>	26.00
Charles Chan Kwok Keung	113,888,628 <sup>#(d)(g)(j)</sup>	26.00
Innovative View Holdings Limited	113,888,628 <sup>#(d)(g)(j)</sup>	26.00
Brilliant Spark Holdings Limited	113,888,628 <sup>#(e)(j)</sup>	26.00
Gold Pioneer Worldwide Limited	113,888,628 <sup>#(e)(j)</sup>	26.00
GLRG Holdings Limited	113,888,628 <sup>#(e)(j)</sup>	26.00
CMC Inc.	113,888,628 <sup>#(e)(j)</sup>	26.00
CMC M&E Holdings Ltd	113,888,628 <sup>#(e)(j)</sup>	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 <sup>#(e)(g)(j)</sup>	26.00
Wang Hsiueh Hong	113,888,628 <sup>#(f)(j)</sup>	26.00
	17,071,101 <sup>#(f)(j)</sup>	3.90
Kun Chang Investment Co., Ltd.	113,888,628 <sup>#(f)(j)</sup>	26.00
	17,071,101 <sup>#(f)(j)</sup>	3.90
Profit Global Investment Limited	113,888,628 <sup>#(f)(g)(j)</sup>	26.00
	17,071,101 <sup>#(f)(g)(j)</sup>	3.90
Hsu Kenneth Kin	113,888,628 <sup>#(h)(j)</sup>	26.00
Silchester International Investors LLP	61,407,500 <sup>(i)(j)</sup>	14.02
Dodge & Cox	40,163,800 <sup>(i)(j)</sup>	9.17
Silchester International Investors International Value Equity Trust	26,307,900 <sup>(j)</sup>	6.01

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

Duplication of shareholdings occurred between parties<sup>#</sup> shown in the table here and above under the sub-heading of “Directors’ and Chief Executive’s Interests in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations”.

At 30 June 2020:

- (a) Percentage in share capital was based on the 438,000,000 Shares in issue.
- (b) Shaw Brothers was the registered shareholder of the 113,888,628 Shares. It was an indirect wholly-owned subsidiary of YLH. YLH was controlled by Dr. Charles Chan Kwok Keung (“Dr. Chan”) with Mr. Li (a Non-executive Director) and Ms. Wang (spouse of Mr. Chen who is a Non-executive Director) as the other two members.
- (c) YLH was deemed to be interested in the 113,888,628 Shares. Such interests were held indirectly through Shaw Brothers, which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited (“YLA”), which was in turn a wholly-owned subsidiary of YLH. YLH was controlled by Dr. Chan through Innovative View Holdings Limited (“IVH”) (also see note (d) below).  
  
YLH reported that there has been a change in nature of its interest in the 17,071,101 Shares in these 113,888,628 Shares due to the Proposed Transactions.
- (d) Dr. Chan was deemed to be interested in the 113,888,628 Shares. Dr. Chan held these Shares through Shaw Brothers, an indirect wholly-owned subsidiary of YLH, which was controlled by Dr. Chan through IVH.  
  
Each Dr. Chan and IVH, reported that there has been a change in nature of his/its interest in the 17,071,101 Shares in these 113,888,628 Shares because of the Proposed Transactions.  
  
According to the Company’s announcement dated 22 January 2020, the Company has been notified that Dr. Chan has signed a conditional sale and purchase agreement to dispose of his shareholding interests in YLH as part of the Proposed Transactions.
- (e) CMC M&E Acquisition was deemed to be interested in the 113,888,628 Shares. Such interests were held through its interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Brilliant Spark was wholly-owned and controlled by Mr. Li.  
  
Each Mr. Li and Brilliant Spark, CMC Inc., CMC M&E Holdings, CMC M&E Acquisition, the corporations controlled by Mr. Li, reported that there has been a change in nature of his/its interest in the 17,071,101 Shares in these 113,888,628 Shares because of the Proposed Transactions.
- (f) Ms. Wang was deemed to be interested in the 113,888,628 Shares. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang. Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.  
  
Each Ms. Wang, Mr. Chen, Kun Chang and Profit Global reported that there has been a change in nature of her/his/its interest in the 17,071,101 Shares in these 113,888,628 Shares because of the Proposed Transactions.
- (g) Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties to an agreement (“Agreement”) to hold the interest in the 113,888,628 Shares. The Agreement was an agreement to which Section 317 of the SFO applies.
- (h) Mr. Hsu Kenneth Kin was deemed to be interested in the 113,888,628 Shares because of the Proposed Transactions.
- (i) The interests were held in the capacity of investment managers.
- (j) The interests held by these persons/entities represented long positions.

Again, the Proposed Transactions are subject to the approval by the CA and the Company has applied to the CA for the necessary approval.

Save for the information disclosed above, at no time during the Period, no other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEMES

### Share Option Scheme of the Company

The Company adopted a share option scheme ("TVB Option Scheme") at its annual general meeting on 29 June 2017 ("Adoption Date for TVB Option Scheme"). The TVB Option Scheme is designed to provide the scheme participants with the opportunity to acquire proprietary interests in the Company, thereby encouraging the grantees of such options to work towards enhancing the value of the Company and for the benefit of the Company and its shareholders as a whole.

Basically, the TVB Option Scheme shall be valid for ten years from the Adoption Date for TVB Option Scheme. The Board or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of the Company or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers providing service or goods to the Company or its affiliate; a customer or joint venture partner of the Company or its affiliate; a trustee of any trust established for the benefit of employees of the Company or its affiliate, any other class of participants which the Board or its delegated Committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of the Company).

As of the Adoption Date for the TVB Option Scheme and the date of this Interim Report, the number of shares of the Company issuable pursuant to the TVB Option Scheme was 43,800,000 Shares (equivalent to 10% of the total issued shares of the Company on the Adoption Date for TVB Option Scheme and the date of this Interim Report). The Company may, at any time, refresh such limit, subject to shareholders' approval up to 30% of the total issued shares of the Company at the time.

Details of movement in the Options during the Period, are set out below:

Name of grantee	Date of grant	Number of Options held					Outstanding at 30 June 2020	Exercise price per share	Closing price of the Company's shares at the date of grant	Exercise period
		Outstanding at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period				
<b>Directors</b>										
Thomas Hui To (Note 3)	22 March 2018	2,000,000	-	-	-	-	2,000,000	HK\$25.84	HK\$25.60	(Note 2)
Mark Lee Po On (Note 3)	22 March 2018	2,000,000	-	-	-	-	2,000,000	HK\$25.84	HK\$25.60	(Note 2)
Sub-total (Note 4)		4,000,000	-	-	-	-	4,000,000			
<b>Employees</b>										
(In aggregate)	22 March 2018	8,500,000	-	-	-	-	8,500,000	HK\$25.84	HK\$25.60	(Note 2)
Sub-total		8,500,000	-	-	-	-	8,500,000			
<b>Employees of subsidiaries</b>										
(In aggregate)	22 March 2018	3,000,000	-	-	-	-	3,000,000	HK\$25.84	HK\$25.60	(Note 2)
Sub-total		3,000,000	-	-	-	-	3,000,000			
<b>Other Participants</b>										
Cheong Shin Keong (Former Director) (Note 3)	22 March 2018	1,000,000	-	-	-	-	1,000,000	HK\$25.84	HK\$25.60	(Note 2)
Others	22 March 2018	500,000	-	-	-	-	500,000	HK\$25.84	HK\$25.60	(Note 2)
Sub-total (Note 4)		1,500,000	-	-	-	-	1,500,000			
<b>Total</b>		<b>17,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,000,000</b>			

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

1. The validity period of the Options is 5 years, from 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).
2. The vesting periods of the Options, are set out below:
  - (i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
  - (ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
  - (iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
  - (iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
  - (v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

The Options are exercisable from the aforesaid dates until 22 March 2023.

3. The Options granted to the Directors namely, Mr. Thomas Hui To and Mr. Mark Lee Po On, and the former Director Mr. Cheong Shin Keong, had been approved by the Board of Directors (including all Independent Non-executive Directors) at its meeting on 22 March 2018.
4. The decrease in sub-total of the Options under the category of "Directors" and the increase in sub-total of the Options under the category of "Other Participants" were due to re-category of the 1,000,000 Options granted to Mr. Cheong Shin Keong, who resigned as Executive Director with effect from 1 January 2020 and was appointed as Strategic Consultant to the Board until 24 July 2020.

The exercise price/subscription price in respect of any options must be at least the higher of (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the relevant date of grant (which must be a Business Day) in respect of such Option; and (b) the average of the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange for the five Business Days immediately preceding the relevant date of grant in respect of such Option.

The Company offered to grant the Options ("Offer") and each grantee accepted the offer of the Options of all the shares set out in their respective offer letters on 22 March 2018 by paying the Company HKD1.00 as consideration for the acceptance of the Offer. Each Option entitles the holder to subscribe for one share of the Company.

The maximum entitlement of each eligible participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, the said limit is 0.1% of the Shares in issue and HK\$5 million in aggregate value. Any further grant of share options in excess of such limits shall be subject to shareholders' approval at general meeting.

No options were granted, exercised, cancelled or lapsed under TVB Option Scheme during the Period. Options granted to Mr. Cheong Shin Keong who was an Executive Director of the Company were lapsed on 25 July 2020. Details of the Options is set out in Note 18 to the condensed consolidated financial information.

## Subsidiary Share Option Scheme of Big Big Channel Holdings Limited

The Company approved the adoption of a share option scheme of its subsidiary, Big Big Channel Holdings ("Subsidiary Option Scheme") at its annual general meeting on 29 June 2017 ("Adoption Date for Subsidiary Option Scheme"). The Subsidiary Option Scheme is designed to provide the Subsidiary Option Scheme participants with the opportunity to acquire proprietary interests in Big Big Channel Holdings, thereby encouraging the grantees of such options to work towards enhancing the value of Big Big Channel Holdings and for the benefit of Big Big Channel Holdings and its shareholders as a whole.

Basically, the Subsidiary Option Scheme shall be valid for ten years from the Adoption Date for Subsidiary Option Scheme. The board of directors of Big Big Channel Holdings ("Big Big Channel Holdings Board") or its delegated Committee may at its discretion grant share options to eligible participants (including a director, an employee of Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to Big Big Channel Holdings or its affiliate; a customer or joint venture partner of Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of Big Big Channel Holdings or its affiliate, any other class of participants which Big Big Channel Holdings' Board or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of Big Big Channel Holdings).

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme since the Adoption Date for Subsidiary Option Scheme.

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during the Period was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

## DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

### SMI Holdings Group Limited

As at 30 June 2020, the Group had provided the following financial assistance to SMI Holdings Group Limited ("SMI"), a company listed on the Stock Exchange (stock code: 00198) and an independent third party of the Group, which in aggregate exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and hence constituted an advance to an entity under Rule 13.13 of the Listing Rules:

- US\$23,000,000 9.5% unsecured redeemable fixed coupon bonds issued by SMI ("Bonds")

In April 2018, the Company subscribed for the Bonds which are unsecured and bear an interest rate of 9.5% per annum payable semi-annually. The Bonds would mature in 2020 (extendable to 2021 by mutual agreement).

Unless early redeemed with the consent of the Company, the Bonds would be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Bonds and (ii) all accrued and unpaid interest on or prior to the maturity date.

- US\$83,000,000 7.5% secured redeemable convertible bonds issued by SMI ("Convertible Bonds")

In May 2018, the Company subscribed for the Convertible Bonds which are secured by a share charge in respect of the entire share capital of

SMI International Cinemas Limited, a wholly-owned subsidiary of SMI, and bear an interest rate of 7.5% per annum payable semi-annually. The Convertible Bonds would mature in 2020 (extendable to 2021 by mutual agreement).

Unless otherwise redeemed, converted or cancelled, the Convertible Bonds would be redeemed on the maturity date at the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the maturity date) minus (b) all interest paid on or prior to the maturity date.

Without prejudice to the foregoing, SMI may at any time after expiry of 6 months from the issue date but not less than 14 business days prior to the maturity date, by giving not less than 10 days' or more than 30 days' notice to the bondholder(s), redeem all or part of the Convertible Bonds, at the redemption price in the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the redemption date) minus (b) all interest paid on or prior to the redemption date.

For details and the latest development of the above advances to SMI, please refer to the Company's announcement dated 2 May 2018 and Notes 9(b) and 10 to the condensed consolidated financial information. As at 30 June 2020, the outstanding principal of the above advances remained as US\$106,000,000.

### Imagine Tiger Television LLC

As at 30 June 2020, the Group had provided other financial assistance to certain affiliated companies (as defined under the Listing Rules), which in aggregate exceeded 8% under the assets ratio. The financial assistance provided to Imagine Tiger Television LLC ("ITT") (a 50% owned joint venture of the Group) also constituted an advance to an entity under Rule 13.13 of the Listing Rules.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

In July 2017, the Group subscribed for the promissory note issued by ITT in the aggregate principal amount of US\$66,666,667 ("Promissory Note"). The Promissory Note is unsecured and bears an interest rate of 12% per annum payable annually and will mature in July 2032. ITT may repay the outstanding principal under the Promissory Note in whole or in part from time to time, provided that any repayment during the period of four years from 26 July 2017 shall be subject to the prior approval of the board of directors of ITT.

For details of the Promissory Note, please refer to the Company's announcement dated 26 July 2017. With effect from 1 July 2019, a conversion of the Group's equity contribution of US\$7,741,579 into a loan to ITT was executed, which accumulated the Promissory Note to ITT with an amount of US\$74,408,246 as at 31 December 2019. As at 30 June 2020, the outstanding principal of the Promissory Note remained as US\$74,408,246.

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2020 are presented as follows:

	Combined statement of financial position HK\$'000	The Group's attributable interest HK\$'000
Non-current assets	–	–
Current assets	631,790	625,237
Current liabilities	(133,113)	(109,643)
Net current assets	498,677	515,594
Total assets less current liabilities	498,677	515,594
Non-current liabilities	(703,226)	(703,226)
Less: unrecognised share of loss	–	164,072
Net liabilities	(204,549)	(23,560)

## 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 ("Audit Committee") 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 this interim report for the Period. PricewaterhouseCoopers has issued a qualified conclusion on the condensed consolidated financial information for the Period. The auditor's review report is set out on pages 64 to 65.

## **VIEWS OF THE AUDIT COMMITTEE ON THE QUALIFIED REVIEW CONCLUSION**

At the meeting of the Audit Committee of the Board held on 19 August 2020, the Audit Committee reviewed the Auditor's Report on Review of Interim Financial Information to the Board of Directors of Television Broadcasts Limited covering the period ended 30 June 2020. The Audit Committee noted that the Auditor was giving a qualified conclusion because of the possible effects on the comparability of the current period's figures and the corresponding figures for the six months ended 30 June 2019 in the interim condensed consolidated income statement and the interim condensed consolidated statement of changes in equity and the related notes disclosures. Please refer to "Report on Review of Interim Financial Information" on pages 64 to 65 of this interim report for more details. The Audit Committee understood that except for the basis of the qualification as mentioned above, nothing has come to the auditor's attention that causes the auditor to believe that the interim financial information of the Group for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". On this basis, the Audit Committee has accepted the Report.

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

During the Period, the Company purchased US\$5,992,000 nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US\$5,846,000 through the open market. As at 30 June 2020, US\$500,000,000 nominal amount of TVB Notes remained outstanding.

Except for the above, 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.

## **INTERIM DIVIDEND**

No interim dividend was declared by the Board. However, the Board will review payment of any final dividend at the year-end taking into account the full year's results and the business prospect.

## **INTERIM REPORT**

This interim report for the Period containing all the information required by the Listing Rules is published on the designated issuer website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.corporate.tvb.com](http://www.corporate.tvb.com)).

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1,675,834	1,808,054
Investment properties	7	5,956	28,981
Land use rights	7	43,891	45,874
Intangible assets	7	210,596	191,616
Interests in joint ventures	8	706,453	708,905
Interests in associates		159,123	162,009
Financial assets at fair value through other comprehensive income		31,870	39,775
Bond securities at amortised cost	9	762,512	1,250,090
Financial assets at fair value through profit or loss	10	–	–
Deferred income tax assets		88,394	7,697
Prepayments	11	50,287	51,284
Total non-current assets		3,734,916	4,294,285
<b>Current assets</b>			
Programmes and film rights		1,162,802	1,112,660
Stocks		31,188	38,195
Trade and other receivables, prepayments and deposits	11	1,616,606	1,722,360
Movie investments		46,657	66,992
Interests in joint ventures	8	71,849	42,650
Tax recoverable		4,935	7,870
Bond securities at amortised cost	9	163,245	125,624
Bank deposits maturing after three months		166,546	79,137
Cash and cash equivalents		883,162	1,105,611
Total current assets		4,146,990	4,301,099
<b>Total assets</b>		<b>7,881,906</b>	<b>8,595,384</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	12	664,044	664,044
Other reserves	13	128,617	132,908
Retained earnings		4,271,632	4,654,654
<b>Non-controlling interests</b>		<b>139,207</b>	<b>137,056</b>
<b>Total equity</b>		<b>5,203,500</b>	<b>5,588,662</b>

	Note	30 June 2020 Unaudited HK\$'000	31 December 2019 Audited HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	1,813,606	1,865,660
Lease liabilities	16	21,441	36,437
Deferred income tax liabilities		53,511	68,592
Total non-current liabilities		1,888,558	1,970,689
<b>Current liabilities</b>			
Trade and other payables and accruals	14	738,839	650,074
Current income tax liabilities		17,316	7,051
Borrowings	15	–	342,716
Lease liabilities	16	33,693	36,192
Total current liabilities		789,848	1,036,033
<b>Total liabilities</b>		<b>2,678,406</b>	<b>3,006,722</b>
<b>Total equity and liabilities</b>		<b>7,881,906</b>	<b>8,595,384</b>

The notes on pages 38 to 63 form an integral part of this condensed consolidated financial information.

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
Revenue	6	1,226,276	1,965,336
Cost of sales		(965,548)	(911,261)
<b>Gross profit</b>		<b>260,728</b>	<b>1,054,075</b>
Other revenues		37,100	10,437
Interest income		61,801	96,580
Selling, distribution and transmission costs		(289,387)	(324,133)
General and administrative expenses		(391,436)	(488,279)
Other (losses)/gains, net		(21,187)	15,977
Gain on disposal of bond securities at amortised cost		13,884	–
Net (impairment loss)/reversal of impairment loss on financial assets at amortised cost		(21,274)	23,313
Gain on disposal of properties		26,931	–
Finance costs	19	(40,266)	(56,852)
Share of profits/(losses) of joint ventures		868	(52,705)
Share of profits of associates		–	1,186
<b>(Loss)/profit before income tax</b>	17	<b>(362,238)</b>	<b>279,599</b>
Income tax credit/(expense)	20	73,899	(46,465)
<b>(Loss)/profit for the period</b>		<b>(288,339)</b>	<b>233,134</b>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		(293,050)	212,634
Non-controlling interests		4,711	20,500
		(288,339)	233,134
<b>(Loss)/earnings per share (basic and diluted) for (loss)/profit attributable to equity holders of the Company during the period</b>	21	<b>HK\$(0.67)</b>	<b>HK\$0.49</b>

The notes on pages 38 to 63 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(288,339)</b>	233,134
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
– Subsidiaries	(12,173)	(8,093)
– Joint ventures	1,011	545
Share of other comprehensive loss of an associate	(2,887)	(191)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(14,049)</b>	(7,739)
<b>Total comprehensive (loss)/income for the period</b>	<b>(302,388)</b>	225,395
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(304,539)	205,320
Non-controlling interests	2,151	20,075
<b>Total comprehensive (loss)/income for the period</b>	<b>(302,388)</b>	225,395

The notes on pages 38 to 63 form an integral part of this condensed consolidated financial information.

# FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited					
		Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2019		664,044	125,241	5,393,453	6,182,738	124,293	6,307,031
Comprehensive income:							
Profit for the period		–	–	212,634	212,634	20,500	233,134
Other comprehensive income/(loss):							
Exchange differences on translation of foreign operations							
– Subsidiaries		–	(7,668)	–	(7,668)	(425)	(8,093)
– Joint ventures		–	545	–	545	–	545
Share of other comprehensive loss of an associate		–	(191)	–	(191)	–	(191)
Total comprehensive income, net of tax, for the period ended 30 June 2019		–	(7,314)	212,634	205,320	20,075	225,395
Transactions with owners:							
Share-based payments	13	–	8,191	–	8,191	–	8,191
Transferred to legal reserve	13	–	5,874	(5,874)	–	–	–
2018 final dividends paid		–	–	(306,600)	(306,600)	–	(306,600)
Total transactions with owners		–	14,065	(312,474)	(298,409)	–	(298,409)
Balance at 30 June 2019		664,044	131,992	5,293,613	6,089,649	144,368	6,234,017
Balance as at 1 January 2020		664,044	132,908	4,654,654	5,451,606	137,056	5,588,662
Comprehensive income/(loss):							
Loss for the period		–	–	(293,050)	(293,050)	4,711	(288,339)
Other comprehensive income/(loss):							
Exchange differences on translation of foreign operations							
– Subsidiaries		–	(9,613)	–	(9,613)	(2,560)	(12,173)
– Joint ventures		–	1,011	–	1,011	–	1,011
Share of other comprehensive loss of an associate		–	(2,887)	–	(2,887)	–	(2,887)
Total comprehensive loss, net of tax, for the period ended 30 June 2020		–	(11,489)	(293,050)	(304,539)	2,151	(302,388)
Transactions with owners:							
Share-based payments	13	–	4,826	–	4,826	–	4,826
Transferred to legal reserve	13	–	2,372	(2,372)	–	–	–
2019 final dividends paid	22	–	–	(87,600)	(87,600)	–	(87,600)
Total transactions with owners		–	7,198	(89,972)	(82,774)	–	(82,774)
Balance at 30 June 2020		664,044	128,617	4,271,632	5,064,293	139,207	5,203,500

The notes on pages 38 to 63 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	23	(37,476)	580,226
Hong Kong tax paid		(7,183)	(13,755)
Overseas tax refunded/(paid)		943	(29,121)
Net cash (used in)/generated from operating activities		(43,716)	537,350
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(52,181)	(118,422)
Additions of intangible assets		(38,754)	(45,941)
Proceeds from disposal/redemption of bond securities at amortised cost		436,911	–
Investment in a joint venture		(150)	–
Increase in bank deposits maturing after three months		(87,409)	(113,659)
Net proceeds from disposal of properties		63,224	–
Proceeds from disposal of property, plant and equipment		623	263
Return of investment costs in financial assets at fair value through other comprehensive income		7,905	–
Interest received		37,446	66,124
Net cash generated from/(used in) investing activities		367,615	(211,635)
<b>Cash flows from financing activities</b>			
Repayment of bank loans	15	(342,716)	–
Purchase of Notes	15	(45,411)	(463,157)
Interest paid		(36,563)	(55,762)
Principal elements of lease payments		(21,612)	(16,293)
Dividends paid to equity holders of the Company		(87,600)	(306,600)
Net cash used in financing activities		(533,902)	(841,812)
<b>Net decrease in cash and cash equivalents</b>		(210,003)	(516,097)
Cash and cash equivalents at 1 January		1,105,611	1,184,510
Effect of foreign exchange rate changes		(12,446)	(4,250)
<b>Cash and cash equivalents at 30 June</b>		<b>883,162</b>	<b>664,163</b>
<b>Analysis of cash and cash equivalents:</b>			
Cash at bank and on hand		317,913	329,687
Short-term bank deposits maturing within three months		565,249	353,985
Less: Bank overdraft		–	(19,509)
		<b>883,162</b>	<b>664,163</b>

The notes on pages 38 to 63 form an integral part of this condensed consolidated financial information.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

Television Broadcasts Limited (“Company”) and its subsidiaries are collectively referred to as the Group in the condensed consolidated financial information. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities.

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

This condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated financial information was approved for issue on 26 August 2020.

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated financial information for the six months ended 30 June 2020 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 2019 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. The auditor’s report was qualified; contained a statement under sections 407(2) and (3) of the Hong Kong Companies Ordinance; but did not include a reference to any matters to which the auditor drew attention by way of emphasis.

This condensed consolidated financial information has not been audited, but has been reviewed by the Audit Committee of the Company, and by PricewaterhouseCoopers, our Auditor, in accordance with the 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”).

### 2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2020 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 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3 ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the financial statements for the year ended 31 December 2019.

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

#### (a) New and amended standards adopted by the Group

A number of new or amended standards 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 2020. 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.

### 4 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in any risk management policies since the year end.

#### 5.2 Credit risk

Compared to the year end, except bond securities at amortised costs as described in Note 9, there was no material change in the Group's credit risk.

#### 5.3 Fair value estimation

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

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2020 and 31 December 2019, the fair value measurement of the Group's financial assets at fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL") is classified in level 3.

Financial assets at FVOCI comprise unlisted equity investment without an active market. The Group establishes the fair value of the unlisted equity investments by using valuation techniques including market comparison method by comparison to the prices at which other similar business nature companies, and the adjusted net assets value method.

The major methods and assumptions used in estimating the fair values of financial assets at FVPL are detailed in Note 10.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as at the end of the reporting period. There was no transfer between categories during the period.

## 6 REVENUE AND SEGMENT INFORMATION

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

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

The Group has following reportable segments:

- (a) Hong Kong TV broadcasting – broadcasting of television programmes and commercials on terrestrial TV platforms and production of programmes and co-produced dramas
- (b) myTV SUPER – operation of myTV SUPER OTT service and website portals
- (c) Big Big Channel business – Big Big Channel (online social media platform), Big Big Shop (e-commerce platform), music entertainment, event and digital marketing
- (d) Programme licensing and distribution – distribution of television programmes and channels to telecast, video and new media operators in Mainland China, Malaysia, Singapore and other countries
- (e) Overseas pay TV and TVB Anywhere – provision of pay television and OTT services to subscribers in most part of the world targeting Chinese and other Asian audiences
- (f) Other activities – property investment and other services
- (g) Corporate support – financing services, and new media platforms development and IT support services for the Group

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, management fee income, movie 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.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6 REVENUE AND 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		myTV SUPER		Big Big Channel business		Programme licensing and distribution		Overseas pay TV and TVB Anywhere		Other activities		Corporate support		Elimination		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
Revenue	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	HK\$'000	
Timing of revenue recognition:																			
At a point in time	901	3,509	2,201	532	15,058	5,900	130,552	143,323	-	44	-	-	-	-	-	-	148,712	153,308	
Over time	560,097	1,224,215	199,620	225,640	46,666	55,050	195,447	237,929	73,699	67,170	2,035	2,024	-	-	-	-	1,077,564	1,812,028	
External customers	560,998	1,227,724	201,821	226,172	61,724	60,950	325,999	381,252	73,699	67,214	2,035	2,024	-	-	-	-	1,226,276	1,965,336	
Inter-segment	16,246	22,340	12,024	12,184	33,672	25,385	29,780	31,509	1,800	-	189	409	59,601	50,602	(153,312)	(142,429)	-	-	
Total	577,244	1,250,064	213,845	238,356	95,396	86,335	355,779	412,761	75,499	67,214	2,224	2,433	59,601	50,602	(153,312)	(142,429)	1,226,276	1,965,336	
Reportable segment (loss)/profit before the following items	(509,237)	78,158	1,324	31,759	30,608	13,740	142,802	277,501	(2,795)	(7,764)	(1,555)	(2,161)	(74,519)	(74,955)	-	-	(413,372)	316,278	
Impairment loss net of gain on bond securities at amortised cost <sup>5</sup>	(6,116)	(20,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,116)	(20,000)	
Gain on disposal of properties	-	-	-	-	-	-	-	-	-	-	26,931	-	-	-	-	-	26,931	-	
Reportable segment (loss)/profit	(515,353)	58,158	1,324	31,759	30,608	13,740	142,802	277,501	(2,795)	(7,764)	25,376	(2,161)	(74,519)	(74,955)	-	-	(392,557)	296,278	
Interest income <sup>4</sup>	65,158	74,665	9	83	1	4	3,604	6,400	60	62	225	285	-	-	(36,707)	(19,759)	32,350	61,740	
Finance costs	(1,861)	(1,008)	(27)	(16)	(36)	(9)	(120)	(34)	(3)	(10)	(1)	-	(74,925)	(75,534)	36,707	19,759	(40,266)	(56,852)	
Depreciation and amortisation	(118,987)	(161,574)	(38,522)	(46,836)	(3,154)	(2,998)	(7,339)	(6,223)	(3,573)	(3,641)	(1,907)	(2,318)	(22,137)	(11,232)	-	-	(195,619)	(234,822)	
Additions to non-current assets <sup>5</sup>	39,544	90,053	10,277	24,376	243	8,180	5,006	1,235	2,553	1,115	229	19	36,129	49,961	-	-	93,981	174,959	

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

# excluding interest income from a joint venture

5 represents impairment loss net of gain on disposal of bond securities at amortised cost

## 6 REVENUE AND SEGMENT INFORMATION (continued)

A reconciliation of reportable segment (loss)/profit to (loss)/profit before income tax is provided as follows:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Reportable segment (loss)/profit	(392,557)	296,278
Interest income from a joint venture	29,451	34,840
Share of profits/(losses) of joint ventures	868	(52,705)
Share of profits of associates	–	1,186
(Loss)/profit before income tax	(362,238)	279,599

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	667,820	1,505,343
Mainland China	355,881	231,168
Malaysia and Singapore	99,143	125,468
USA and Canada	55,342	57,332
Vietnam	16,140	13,890
Australia	5,097	5,306
Europe	3,624	4,211
Other territories	23,229	22,618
	1,226,276	1,965,336

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 7 CAPITAL EXPENDITURE

	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
As at 31 December 2018 (as originally presented)	140,160	1,811,070	29,367	49,486
Change in accounting policy	–	82,754	–	–
Restated as at 1 January 2019	140,160	1,893,824	29,367	49,486
Additions	45,941	146,699	–	–
Disposals	–	(536)	–	–
Depreciation and amortisation (Note 17)	(10,383)	(222,513)	(411)	(1,515)
Transfer to non-current asset held-for sales	–	(5,606)	–	–
Exchange differences	(40)	(276)	(343)	(16)
As at 30 June 2019	175,678	1,811,592	28,613	47,955
As at 1 January 2020	191,616	1,808,054	28,981	45,874
Additions	38,754	56,224	–	–
Disposals (Note 7(b))	–	(14,056)	(22,676)	–
Depreciation and amortisation (Note 17)	(19,811)	(174,024)	(335)	(1,449)
Exchange differences	37	(364)	(14)	(534)
<b>As at 30 June 2020</b>	<b>210,596</b>	<b>1,675,834</b>	<b>5,956</b>	<b>43,891</b>

Notes:

(a) Leases

Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>Right-of-use assets</b>		
Properties	43,281	57,221
Equipment	13,263	14,073
Leasehold land	122,185	124,469
Land use rights	43,891	45,874
	<b>222,620</b>	<b>241,637</b>

Additions to the right-of-use assets during the period ended 30 June 2020 were HK\$3,046,000 (2019: HK\$10,576,000).

(b) During the period ended 30 June 2020, the Group disposed of properties with carrying amount of HK\$36,293,000 with a disposal gain of HK\$26,931,000.

## 8 INTERESTS IN JOINT VENTURES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>Non-current</b>		
Investment costs (note)	205,127	205,988
Less: accumulated share of losses	(204,964)	(205,988)
	163	–
Funds advanced to joint ventures	20,231	20,231
Loan to a joint venture (note)	576,720	579,566
Interest receivable from a joint venture (note)	126,506	127,130
	723,620	726,927
Less: share of losses in excess of investment costs	(17,167)	(18,022)
	706,453	708,905
<b>Current</b>		
Interest receivable from a joint venture (note)	71,849	42,650
	778,302	751,555

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. 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 2020 and 31 December 2019, the carrying amounts of the loan and receivables from ITT approximated their fair values. As there was no past due amount 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. In addition, management would closely monitor the development of the COVID-19 outbreak and evaluate its possible impact on ITT’s operating results. As at 30 June 2020, no loss allowance on the loan to and interest receivables from ITT with gross carrying amount of HK\$775,075,000 (31 December 2019: HK\$749,346,000) was recognised based on the assessment of 12 months’ expected losses under expected credit loss model. The maximum exposure to credit risk is the carrying values of the loan and receivables above.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 BOND SECURITIES AT AMORTISED COST

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>Non-current</b>		
Bond securities at amortised cost:		
Unlisted	431,673	431,914
Listed in Hong Kong	238,937	441,351
Listed in other countries	406,027	670,950
Less: provision for impairment loss on bond securities (notes (b), (c) and (d))	(314,125)	(294,125)
	<b>762,512</b>	1,250,090
<b>Current</b>		
Bond securities at amortised cost:		
Listed in Hong Kong	132,345	125,624
Listed in other countries	30,900	–
	<b>163,245</b>	125,624
	<b>925,757</b>	1,375,714

#### 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 4.2% (31 December 2019: 4.7%) per annum and have ranges of maturity dates with the last maturity date up to 1 October 2027. The largest fixed income securities from the same issuer within the portfolio, which is made up by a total of 19 (31 December 2019: 26) issuers of fixed income securities, represented approximately 1.4% (31 December 2019: 2.5%) of the total assets of the Group as at 30 June 2020. They 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\$24,658,000 (2019: HK\$51,523,000).

During the period ended 30 June 2020, the Group disposed/redeemed bond securities at amortised cost with the aggregate carrying amount of HK\$423,027,000 (2019: Nil) with gain on disposal amounted to HK\$13,884,000 (2019: Nil).

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. SMI has made announcements that since its trading suspension, SMI and certain of its subsidiaries have defaulted in certain borrowings. Pursuant to SMI's announcement dated 12 March 2019, it has commenced negotiation with the creditors concerning the debt restructuring process, including prospective conversion of outstanding debts into equity, and raising of capital by prospective subscription of new shares of SMI. However, no agreement or material terms in relation to the above arrangements have been entered into or agreed between the Group and its lenders or creditors.

In view of the above background, management performed an impairment assessment of the credit-impaired Fixed Coupon Bonds using a lifetime expected credit loss ("ECL") model, which estimated the eventual shortfall of cash recoverable from the Fixed Coupon Bonds in 2018. Based on management's impairment assessment, a full impairment charge of the Fixed Coupon Bonds of HK\$180,125,000 was recognised for the year ended 31 December 2018.

During the period ended 30 June 2020, SMI has released its unaudited annual results for the year ended 31 December 2018 but no audited results since 2017 are announced up to date. As such, management has adopted key inputs and assumptions based on financial information extracted from the 2017 audited financial statements and unaudited 2018 annual results of SMI Group and other forward looking factors in view of SMI's recent announcements up to the approval date of the respective set of financial statements and performed an updated impairment assessment for the year ended 31 December 2019 and the period ended 30 June 2020. Please refer the details to Note 10. The management considered full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2019 and 30 June 2020.

### (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 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.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 9 BOND SECURITIES AT AMORTISED COST (continued)

Notes:

#### (c) CERC Bonds (continued)

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.

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

#### (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 2020 was HK\$1,308,246,000. During the period, the Group disposed/redeemed bond securities with a total carrying amount of HK\$423,027,000. For the unlisted bond securities at amortised cost considered as credit-impaired as at 31 December 2019 and 30 June 2020, as a result of default events pursuant to the bond agreements, a lifetime ECL loss allowance has been assessed. Management has engaged an independent professional valuer to perform an analysis of the recovery rate of the credit-impaired bond securities by adopting its independently selected parameters which contain credit rating profile similar to such bond securities. With reference to the assessment performed by the external valuer, a lifetime ECL provision on such credit-impaired bond securities of HK\$20 million (2019: HK\$20 million) has been recognised during the period. As at 30 June 2020, the net carrying amount of other securities at amortised costs after provision for impairment loss was HK\$858,748,000 (31 December 2019: HK\$1,308,246,000).

## 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Beginning of the period/year	–	330,015
Change in fair value	–	(330,015)
End of the period/year	–	–

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 2020.

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 (“Share Charge”) against 100% of the issued share capital of SMI International Cinemas Limited (“SMI International”, an indirect wholly-owned subsidiary of SMI) (the “Collateral”). 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 (together, the “Chengdu Runyun group”) operates SMI’s principal business as cinema operators in a number of cities in the mainland China.

As at 31 December 2018, management performed a fair value assessment of the Convertible Bonds and the Group recognised a fair value loss of HK\$320,000,000 on the Convertible Bonds for the year ended 31 December 2018.

On 3 July 2019, the Company served statutory demands dated 2 July 2019 to SMI in relation to the two SMI Bonds. No response has been received from SMI, despite a 30-day period had elapsed since the service of the statutory demands. On 12 August 2019, the Company applied to the High Court of Hong Kong to be the substituting petitioner for a winding up petition filed by HSBC, the original petitioner, which confirmed that it had reached a settlement with SMI and would no longer proceed with the winding-up petition against SMI. On 2 September 2019, a petition for winding up of SMI was filed in the High Court by the Company. On 7 May 2020, SMI was ordered to be wound up and joint and several liquidators of SMI were appointed on 12 May 2020. On 8 May 2020, the Listing Committee of the Stock Exchange decided to cancel the listing of SMI’s shares.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

During the year ended 31 December 2019, it was noted that there were some other share pledges in the PRC, which were made without the knowledge or consent of the Company, may negatively impact the value of the security held by the Company. In addition, due to the fact that SMI is under liquidation petition from its creditors, and also given the outbreak of COVID-19 that halted its main cinema operating businesses in mainland China, management considered the value of the collateral is minimal and the Company would retrieve the highest value through liquidation of SMI Group. However, based on a waterfall analysis under liquidation basis with reference to the valuation performed by an independent firm of professionally qualified valuers, the management are of the view that any recovery of the remaining carrying value of the SMI Bonds through the winding-up petition of SMI, is not likely. As such, the Group recognised a further fair value loss of HK\$330,015,000 on the Convertible Bonds for the year ended 31 December 2019, reducing the carrying amount to zero at 31 December 2019.

As at 30 June 2020, 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 Convertible Bonds to remain at nil.

### 11 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>Non-current</b>		
Prepayments related to capital expenditure	50,287	51,284
<b>Current</b>		
Trade receivables from:		
Associates	–	693
Third parties (note)	1,116,233	1,239,994
	1,116,233	1,240,687
Less: provision for impairment loss on receivables from third parties	(52,005)	(51,750)
	1,064,228	1,188,937
Other receivables, prepayments and deposits	533,483	514,201
Contract acquisition and fulfilment costs	18,895	19,222
	1,616,606	1,722,360
	1,666,893	1,773,644

## 11 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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 PRC. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

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.

At 30 June 2020 and 31 December 2019, the ageing of trade receivables, net of provision for impairment based on invoice dates were as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current	409,845	529,521
1-2 months	108,171	208,274
2-3 months	89,940	82,288
3-4 months	66,178	79,019
4-5 months	27,986	50,517
Over 5 months	362,108	239,318
	<b>1,064,228</b>	<b>1,188,937</b>

## 12 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK\$'000
<b>Ordinary shares, issued and fully paid:</b> At 1 January 2019 and 30 June 2019 and 1 January 2020 and 30 June 2020	<b>438,000</b>	<b>664,044</b>

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 13 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 2019	70,000	(20,699)	112,193	24,125	(7,661)	(52,717)	125,241
Transferred from retained earnings	-	-	5,874	-	-	-	5,874
Exchange differences on translation of foreign operations:							
- Subsidiaries	-	-	-	-	-	(7,668)	(7,668)
- Joint ventures	-	-	-	-	-	545	545
Share of other comprehensive loss of an associate	-	-	-	-	13	(204)	(191)
Share-based payments	-	-	-	8,191	-	-	8,191
<b>Balance at 30 June 2019</b>	<b>70,000</b>	<b>(20,699)</b>	<b>118,067</b>	<b>32,316</b>	<b>(7,648)</b>	<b>(60,044)</b>	<b>131,992</b>
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
<b>Balance at 30 June 2020</b>	<b>70,000</b>	<b>(20,699)</b>	<b>120,439</b>	<b>44,772</b>	<b>(7,756)</b>	<b>(78,139)</b>	<b>128,617</b>

## 14 TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables to:		
Associates	1,703	–
Third parties	121,561	83,231
	123,264	83,231
Contract liabilities	179,225	188,611
Provision for employee benefits and other expenses	59,181	97,333
Accruals and other payables	377,169	280,899
	<b>738,839</b>	<b>650,074</b>

At 30 June 2020 and 31 December 2019, the ageing of trade payables based on invoice date were as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current	78,056	58,869
1–2 months	18,372	17,124
2–3 months	8,140	2,729
3–4 months	6,845	1,910
4–5 months	5,727	1,464
Over 5 months	6,124	1,135
	<b>123,264</b>	<b>83,231</b>

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 15 BORROWINGS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
<b>Non-current</b>		
Notes, unsecured (note)	1,813,606	1,865,660
<b>Current</b>		
Short-term bank borrowings (note)	–	342,716
	<b>1,813,606</b>	<b>2,208,376</b>

At 30 June 2020 and 31 December 2019, borrowings were repayable as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 year	–	342,716
Later than 1 year but not later than 5 years	1,813,606	1,865,660
	<b>1,813,606</b>	<b>2,208,376</b>

Note:

On 11 October 2016, the Group issued US\$500,000,000 3.625% five-year notes due 2021 ("Notes"). Up to 30 June 2020, the Company purchased US\$264,820,000 (31 December 2019: US\$258,828,000) in aggregate nominal amount of the Notes issued by TVB Finance Limited.

During the period ended 30 June 2020, the Group's short-term bank borrowings of HK\$342,716,000 as at 31 December 2019 were fully repaid.

On 30 June 2020, the Group entered into a new 3-year term loan facility with the amount of USD250,000,000. The entire amount under the facility was drawn down on 6 July 2020 subsequent to the period end, which will mature on 6 July 2023.

## 16 LEASE LIABILITIES

At 30 June 2020 and 31 December 2019, the Group's lease liabilities recognised in the condensed consolidated statement of financial position were as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 year	33,693	36,192
Later than 1 year but not later than 5 years	21,441	36,437
	<b>55,134</b>	<b>72,629</b>

## 17 (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Depreciation (Note 7)	174,359	222,924
Amortisation of land use rights (Note 7)	1,449	1,515
Amortisation of intangible assets (Note 7)	19,811	10,383
Cost of programmes and film rights	676,687	675,524
Cost of other stocks	5,924	5,524
Net exchange losses/(gains)	5,320	(3,720)
Employee benefit expense (excluding directors' emoluments)	685,854	802,099
Government subsidies from Employment Support Scheme	(33,681)	-

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18 EMPLOYEE SHARE-BASED PAYMENTS

The establishment of the Share Option Scheme of the Company and Subsidiary Share Option Scheme of its subsidiary, Big Big Channel Holdings were approved by shareholders at the 2017 annual general meeting. The share option schemes are designed to provide long-term incentives for scheme participants (including a director, an employee of the Company/Big Big Channel Holdings or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or supplier providing service or goods to the Company/Big Big Channel Holdings or its affiliate; a customer or joint venture partner of the Company/Big Big Channel Holdings or its affiliate; a trustee of any trust established for the benefit of employees of the Company/Big Big Channel Holdings or its affiliate, any other class of participants which the board of the Company/Big Big Channel Holdings or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of the Company/Big Big Channel Holdings) to deliver long-term shareholder returns. Under the share option schemes, unless otherwise determined by the board of the Company/Big Big Channel Holdings at its sole discretion, there is no minimum period for which an option must be held and there is no performance target which must be satisfied or achieved before such an option can be exercised and acquire the Company's/Big Big Channel Holdings' shares under the terms of the share option schemes.

The share option schemes commenced on the Adoption Date (i.e. 29 June 2017) and shall continue in force until the date that falls on the expiry of 10 years after the Adoption Date or the date on which the shareholders or the board of the Company/Big Big Channel Holdings passing a resolution resolving to early terminate the Scheme, whichever is earlier.

No share options were granted, exercised, cancelled or lapsed under the Subsidiary Option Scheme since the Adoption Date and during the period.

As at 30 June 2020, the following share options were offered to grantees of the Company under the Share Option Scheme:

Date of grant	Number of share options	Exercise price (HK\$)
22 March 2018	17,000,000	25.84

## 18 EMPLOYEE SHARE-BASED PAYMENTS (continued)

The validity period of the share options is 5 years, from the 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive). The vesting period of the share options is as follows:

- (i) 20% of the share options shall be vested on 1 December 2018 and exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
- (ii) 20% of the share options shall be vested on 1 December 2019 and exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
- (iii) 20% of the share options shall be vested on 1 December 2020 and exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
- (iv) 20% of the share options shall be vested on 1 December 2021 and exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
- (v) 20% of the share options shall be vested on 1 December 2022 and exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

Set out below are summaries of options granted under the Share Option Scheme:

	30 June 2020		31 December 2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
At beginning and end of the period/year	HK\$25.84	17,000,000	HK\$25.84	17,000,000
Vested and exercisable at the end of the period/year	HK\$25.84	6,800,000	HK\$25.84	6,800,000

Share options outstanding at 30 June 2020 and 31 December 2019 have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	30 June 2020	31 December 2019
22 March 2018	22 March 2023	HK\$25.84	17,000,000	17,000,000
Weighted average remaining contractual life of options outstanding at end of period/year			2.72 years	3.22 years

During the period ended 30 June 2020, the equity-settled share-based payments relating to the Share Option Scheme recognised as an expense amounted to HK\$4,826,000 (2019: HK\$8,191,000).

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 19 FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank loans and overdraft	2,170	607
Interest on Notes	33,412	51,309
Amortised amount of transaction costs on Notes	3,613	3,613
Interest expense on lease liabilities	1,071	1,323
	<b>40,266</b>	<b>56,852</b>

### 20 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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 expense 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	
	2020	2019
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong	17,306	20,374
– Overseas	3,258	20,683
– (Over)/under provisions in prior periods	(1,194)	2,684
	<b>19,370</b>	<b>43,741</b>
Deferred income tax:		
– Origination and reversal of temporary differences	(93,269)	2,724
	<b>(73,899)</b>	<b>46,465</b>

## 21 (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the Group's loss attributable to equity holders of the Company of HK\$293,050,000 (2019: profit attributable to equity holders of the Company of HK\$212,634,000) and 438,000,000 ordinary shares in issue throughout the six months ended 30 June 2020 and 2019.

During the six months ended 30 June 2020, no fully diluted loss per share was presented as the assumed exercise of the share options would result in a decrease in loss per share.

During the six months ended 30 June 2019, no fully diluted earnings per share was presented as the Company did not have any potentially dilutive ordinary shares as the exercise price of the share option was higher than the average market price of the Company's shares.

## 22 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
2019 interim dividend, declared after the end of the reporting period, of HK\$0.30 per ordinary share	-	131,400

A final dividend of HK\$0.20 per ordinary share for the year ended 31 December 2019 amounting to HK\$87,600,000 was approved by shareholders on 27 May 2020 and paid on 16 June 2020.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 23 NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit before income tax	(362,238)	279,599
Adjustments for:		
Depreciation and amortisation	195,619	234,822
Provision for impairment loss on trade receivables	1,660	249
Reversal of provision for impairment loss on trade receivables	(386)	(43,562)
Impairment loss net of gain on bond securities at amortised cost	6,116	20,000
Losses on movie investments	17,000	–
Non-cash share-based payments	4,826	8,191
Share of profits of associates	–	(1,186)
Share of (profits)/losses of joint ventures	(868)	52,705
Gain on purchase of Notes	(1,133)	(7,826)
Gain on disposal of properties	(26,931)	–
(Gains)/losses on disposal of property, plant and equipment	(186)	273
Interest income	(61,801)	(96,580)
Finance costs	40,266	56,852
Exchange differences	1,040	(1,060)
	(187,016)	502,477
Increase in programmes, film rights and stocks	(43,135)	(189,830)
Decrease in movie investments	3,335	–
Decrease in trade and other receivables, prepayments and deposits	99,494	260,675
Increase in trade and other payables and accruals	89,846	6,904
	(37,476)	580,226

## 24 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Guarantees for banking facilities granted to an investee company	–	7,754

The banking facilities granted to an investee company expired during the period. Therefore, no financial guarantee contract is entered by the Group as at 30 June 2020.

As at 31 December 2019, the Directors have assessed the fair value of the above and consider that they are not material to the Group. Therefore, no financial liability has been recognised in the statement of financial position. The expected credit loss for outstanding financial guarantees are also assessed to be not material to the Group.

## 25 CAPITAL COMMITMENTS

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contracted for but not provided for	58,616	94,103

## 26 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

The Company operates under the terms of a domestic free television programme service licence granted by the Government of the HKSAR ("Government") which runs for a period of twelve years to 30 November 2027. Under the renewed licence conditions, the Company is required to (i) make a programming and capital investment of HK\$6,336 million in total for the six-year period from 2016 to 2021; (ii) provide at least 12,000 hours of local productions each year; (iii) provide an additional four hours per week of positive programmes (including current affairs programmes, documentaries, arts and culture programmes and programmes for young persons) on the Company's digital channels; (iv) provide independent local productions on an incremental basis from 20 hours per year in 2016 to 60 hours per year by 2020. In addition, the Company is granted more flexibility to schedule the broadcast of RTHK programmes and an additional 5% non-designated language allowance for the English channel. In accordance with the standard procedure, the renewed licence of the Company will be subject to a mid-term review in 2021. On 4 March 2020, the direction issued by the Government on the requirement to broadcast RTHK programmes has been revoked.

# FINANCIAL INFORMATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 27 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed consolidated financial information, the Group had the following material transactions with related parties during the period:

#### (a) Transactions with related parties

The following is a summary of significant related party transactions during the period carried out between the Group and the affiliated companies of an associate of Shine Investment Limited, which is an associate of the Group in the normal course of its business:

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Sales of services/goods: <i>Associates</i>		
Computer graphic service fee	650	1,100
Movie script licence fee	–	1,000
Talent fees	218	1,513
	<b>868</b>	<b>3,613</b>
Purchases of services: <i>Associates</i>		
Programme licensing fees	(9,993)	(7,213)
Talent fees	(2,474)	(858)
	<b>(12,467)</b>	<b>(8,071)</b>

During the period ended 30 June 2019, a movie investment of HK\$12,000,000 was paid to an associate of Shine Investment Limited.

The fees received from/(paid to) related parties are made on normal commercial terms and conditions and market rates, that would be available to third parties.

#### (b) Key management compensation

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Salaries and other short-term employee benefits	8,296	10,988
Share-based payments	1,276	2,642
	<b>9,572</b>	<b>13,630</b>

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (c) Fund advanced/loan to joint ventures

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Fund advanced to joint ventures		
Beginning of the period/year	20,231	29,755
Fund advanced	–	2,500
Repayment of fund advanced	–	(2,000)
Liquidation of a joint venture	–	(9,506)
Exchange differences	–	(518)
End of the period/year	20,231	20,231
Loan to a joint venture (including interest receivables)		
Beginning of the period/year	749,346	615,127
Conversion from equity contribution	–	60,489
Interest accrued	29,451	77,707
Exchange differences	(3,722)	(3,977)
End of the period/year	775,075	749,346

Except for the loan to and receivables from ITT with details disclosed in Note 8, the other balances due from/(to) related companies are unsecured, interest-free and have no fixed terms of repayment.

## 28 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation, including the presentation of (impairment loss)/reversal of impairment loss on trade receivables and bond securities at amortised cost in a single line as net (impairment loss)/reversal of impairment loss on financial assets at amortised cost in the condensed consolidated income statement. These reclassifications have no impact on the Group's total equity as at 30 June 2020, 31 December 2019 and 30 June 2019, or on the Group's results for the six months ended 30 June 2020 and 2019.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 63, which comprises the interim condensed consolidated statement of financial position of Television Broadcasts Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

Except as explained in the following paragraphs, we conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## Basis for Qualified Conclusion

### *Comparability of the current period's figures and the corresponding figures for the period ended 30 June 2019 in the interim condensed consolidated income statement and the interim condensed consolidated statement of changes in equity*

The Group holds certain unsecured fixed coupon bonds ("fixed coupon bonds") and secured convertible bonds ("convertible bonds") issued by SMI Holdings Group Limited ("SMI") which are further described in notes 9 and 10. We have previously qualified our audit opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2018 as we were unable to obtain sufficient audit evidence or perform alternative procedures to assess or corroborate the key inputs and key assumptions adopted by management in their assessment of impairment of the fixed coupon bonds and the valuation of the convertible bonds as at 31 December 2018. We also qualified our review conclusion for this matter in respect of the Group's condensed interim financial information for the six months ended 30 June 2019 as we were unable to obtain sufficient evidence or perform alternative procedures to assess or corroborate the key inputs and key assumptions adopted by management in their assessment of impairment of fixed coupon bonds and the valuation of the convertible bonds as at 30 June 2019; and to determine whether any adjustments to the carrying values of the fixed coupon bonds carried at nil balance and the convertible bonds of HK\$330 million as at 30 June 2019 and the corresponding adjustments on the interim condensed consolidated income statement were necessary.

During the second half of the year ended 31 December 2019, as further set out in note 10, the Group has made full provision for the remaining portion of the convertible bonds. Our audit opinion on the consolidated financial statements for the year ended 31 December 2019 was qualified because of the limitation in scope on the opening balances of the fixed coupon bonds and convertible bonds as at 1 January 2019, which could have a consequential impact to the impairment charge on the fixed coupon bonds and fair value losses of the convertible bonds included in the Group's consolidated losses for the year ended 31 December 2019.

Because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures for the six months ended 30 June 2019 in the interim condensed consolidated income statement and the interim condensed consolidated statement of changes in equity and the related notes disclosures, our review conclusion on the interim financial information for the six months ended 30 June 2020 is therefore qualified.

## Qualified Conclusion

Based on our review, except for the possible effects on the comparability of the current period's figures and the corresponding figures of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information of the Group for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 August 2020



**Television Broadcasts Limited**  
**電視廣播有限公司**

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