Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2020 ANNUAL RESULTS

RESULTS HIGHLIGHTS

For the year ended 31 December 2020 (the "Year"):

- Total revenue of the Group decreased from HK$3,649 million to HK$2,724 million, a decline of 25%, whilst total costs decreased from HK$3,698 million to HK$3,253 million, a reduction of 12%.

- Loss attributable to equity holders of the Company was HK$281 million (2019: Loss of HK$295 million). Loss per share was HK$0.64 (2019: Loss per share of HK$0.67).

- The Group previously reported a loss attributable to equity holders of the Company of HK$293 million for the first half of 2020. By deduction, the Group delivered a small net profit for the second half of 2020.

- The Group attained an Adjusted EBITDA of HK$74 million (2019: HK$461 million) for the Year.

- The Board did not recommend the payment of a dividend for the Year (2019: HK$0.50 per share).

BUSINESS HIGHLIGHTS

- Affected by the COVID-19 pandemic and its adverse economic impact, the Company experienced an extremely tough business environment during the year. Advertising revenue from Hong Kong TV Broadcasting segment fell 54% from HK$1,910 million to HK$881 million, albeit a year-on-year improvement in our channels' average prime time TV ratings of 13% from 23.5 TVRs to 26.5 TVRs.

- As previously reported, advertising revenue from Hong Kong TV Broadcasting segment was HK$351 million for the first half of 2020. Hence, the advertising revenue for the second half of 2020 was HK$530 million, representing an increase of 51% over the first half.

- Under our drive to increase direct-to-consumer businesses, total non-advertising income from TVB's digital platforms increased 8% (from HK$509 million to HK$552 million).

- Total number of myTV SUPER users increased 12% (from 8.1 million to 9.1 million at 31 December 2019 and 2020 respectively), and the average weekly time spent per unique stream viewer reported an increase of 15% (from 16.4 hours to 18.8 hours). myTV SUPER business segment reported a profit of HK$11 million (2019: HK$40 million), due inevitably to weaker advertising income.

- The pandemic has significantly increased consumption of short videos on Big Big Channel and other TVB's accounts with social media platforms. Average weekly stream views from all platforms increased 80% (from 15.3 million to 27.6 million).

- Big Big Shop's average monthly active users increased over five times to nearly one million as a result of our successful cross platform "showing on TV, selling in Big Big Shop" promotion strategy. Overall, Big Big Channel and e-commerce business segment (including Big Big Shop) delivered a profit of HK$53 million (2019: HK$44 million), an increase of 20%.

- Subscribers to TVB Anywhere, together with users subscribing to TVB content via third-party online platforms aggregated a total of 18.2 million at 31 December 2020, an increase of 33% from 2019's 13.7 million. The TVB Anywhere business segment turned a profit of HK$8 million (2019: a loss of HK$10 million).

- Revenue from China recorded a 46% growth (from HK$549 million to HK$803 million) during the Year which was fueled by an increase in co-production income. Three drama titles *Line Walker: Bull Fight* (使徒行者3), *Legal Mavericks 2020* (踩過界II/盲俠大律師2020) and *Armed Reaction 2021* (陀槍師姐2021) were broadcast during the Year and post year-end, while three co-produced drama titles, namely *Murder Diary* (刑偵日記), *Barrack O'Karma 2* (金宵大廈2) and *Big White Duel 2* (白色強人II), are designated for completion and delivery in 2021. We are currently in active discussion with our partners on further new titles for co-production.

OUTLOOK

- Advertising businesses under Hong Kong TV Broadcasting and myTV SUPER remain challenging in the near term. We are confident that our advertising and related events management services will be a beneficiary when the pandemic comes under control which should put the retail businesses back to a growth path.

- Into 2021, we have progressed well in building a solid pipeline of drama projects under co-production with Youku under the Youku/TVB strategic cooperation agreement signed in August 2020 and with other major online platforms in China. We are continuously exploring new programme genres and formats to widen our product offerings in this huge market.

- myTV SUPER OTT service is on track to deliver growth in subscription using original programme content as a differentiator.

- Our efforts to cross promote Big Big Shop products using Jade's prime time programmes successfully helped the e-commerce platform deliver positive results in 2020. We shall further increase the scale of such promotions in 2021 to recruit new merchants and advertisers.

The Board of Directors ("Board") of Television Broadcasts Limited ("Company" or "TVB") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 HK$'000**	2019 HK$'000
Revenue	2	**2,724,200**	3,648,762
Cost of sales		**(1,876,968)**	(2,166,686)
Gross profit		**847,232**	1,482,076
Other revenues	2	**223,399**	13,860
Interest income	2	**160,585**	179,971
Selling, distribution and transmission costs		**(591,017)**	(645,655)
General and administrative expenses		**(784,871)**	(885,392)
Other gains, net		**23,785**	50,891
Gain on disposal of other financial assets at amortised cost	10	**22,097**	21,297
Impairment loss on other financial assets at amortised cost	10	**(118,000)**	(88,000)
Fair value loss on financial assets at fair value through profit or loss	11	**–**	(330,015)
(Impairment loss)/reversal of impairment loss on trade and other receivables		**(13,146)**	65,930
Finance costs	4	**(100,849)**	(106,951)
Share of profits/(losses) of joint ventures		**779**	(58,279)
Impairment loss on receivables from a joint venture		**(13,500)**	–
Share of (losses)/profits of associates		**(1,180)**	3,328
Loss before income tax	5	**(344,686)**	(296,939)
Income tax credit	6	**87,578**	18,273
Loss for the year		**(257,108)**	(278,666)
(Loss)/profit attributable to:			
Equity holders of the Company		**(280,881)**	(294,925)
Non-controlling interests		**23,773**	16,259
		(257,108)	(278,666)
Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the year	7	**HK$(0.64)**	HK$(0.67)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	HK$'000
Loss for the year	**(257,108)**	(278,666)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
– Subsidiaries	**33,027**	(14,117)
– Joint ventures	**958**	1,195
Share of other comprehensive income/(loss) of an associate	**11,039**	(3,448)
Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries	**–**	789
Reclassification adjustments of exchange differences to profit or loss on liquidation of a joint venture	**–**	(1,943)
Other comprehensive income/(loss) for the year, net of tax	**45,024**	(17,524)
Total comprehensive loss for the year	**(212,084)**	(296,190)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(246,942)**	(308,953)
Non-controlling interests	**34,858**	12,763
Total comprehensive loss for the year	**(212,084)**	(296,190)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,610,955**	1,853,928
Investment properties		**8,447**	28,981
Intangible assets		**219,608**	191,616
Interests in joint ventures	9	**824,706**	708,905
Interests in associates		**171,868**	162,009
Financial assets at fair value through other comprehensive income		**12,052**	39,775
Bond securities at amortised cost	10	**440,895**	1,250,090
Financial assets at fair value through profit or loss	11	**–**	–
Deferred income tax assets		**144,169**	7,697
Prepayments	12	**31,360**	51,284
Total non-current assets		**3,464,060**	4,294,285
Current assets			
Programmes and film rights		**1,267,064**	1,112,660
Stocks		**27,187**	38,195
Trade and other receivables, prepayments and deposits	12	**1,646,757**	1,722,360
Movie investments		**19,454**	66,992
Interests in joint ventures	9	**–**	42,650
Tax recoverable		**2,214**	7,870
Bond securities at amortised cost	10	**69,661**	125,624
Bank deposits maturing after three months		**1,997,763**	79,137
Cash and cash equivalents		**1,337,635**	1,105,611
Total current assets		**6,367,735**	4,301,099
Total assets		**9,831,795**	8,595,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2020

	Note	**2020** **HK$'000**	2019 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves		**175,644**	132,908
Retained earnings		**4,286,413**	4,654,654
		5,126,101	5,451,606
Non-controlling interests		**171,914**	137,056
Total equity		**5,298,015**	5,588,662
LIABILITIES			
Non-current liabilities			
Borrowings	13	**1,934,958**	1,865,660
Lease liabilities		**9,505**	36,437
Deferred income tax liabilities		**55,436**	68,592
Total non-current liabilities		**1,999,899**	1,970,689
Current liabilities			
Trade and other payables and accruals	14	**624,392**	650,074
Current income tax liabilities		**61,524**	7,051
Borrowings	13	**1,817,689**	342,716
Lease liabilities		**30,276**	36,192
Total current liabilities		**2,533,881**	1,036,033
Total liabilities		**4,533,780**	3,006,722
Total equity and liabilities		**9,831,795**	8,595,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. For the year ended 31 December 2020, the auditor's report was qualified but did not contain a statement under section 407(2) and 407(3) of the Companies Ordinance. For the year ended 31 December 2019, the auditor's report was qualified and contained a statement under section 407(2) and 407(3) of the Companies Ordinance. The auditor's reports did not contain a statement under section 406(2) of the Companies Ordinance for both years. For details, please refer to sub-section under "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT".

(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.

1. **Basis of preparation and accounting policies** (continued)

(b) Early adoption of amendments to standards

The Group has early adopted Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK$515,000 have been accounted for as negative variable lease payments and recognised in the consolidated income statement for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

(c) New standards and interpretations not yet adopted

Other than the early adoption of Amendments to HKFRS 16, there are other certain new accounting standards and interpretations have been published that are not mandatory for the accounting year ended 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Revenue, interest income and other revenues

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, facility rental income and other service fee income.

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

	2020	2019
	HK$'000	HK$'000
Revenue		
Income from advertisers, net of agency deductions	**1,076,158**	2,149,505
Licensing income	**721,248**	750,963
Subscription income	**384,233**	345,953
Co-production income	**320,925**	105,303
Others	**243,393**	337,843
	2,745,957	3,689,567
Less: withholding tax	**(21,757)**	(40,805)
	2,724,200	3,648,762
Interest income	**160,585**	179,971
Other revenues		
Government subsidies from Employment Support Scheme (note)	**202,385**	–
Others	**21,014**	13,860
	223,399	13,860
	3,108,184	3,842,593

Note:

The HKSAR Government has launched the "Employment Support Scheme" to provide time limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

3. Segment information

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

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 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 consolidated financial statements.

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

3. **Segment information** (continued)

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

	Hong Kong TV broadcasting		myTV SUPER		Big Big Channel and e-Commerce 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
	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
Revenue																		
Timing of revenue recognition:																		
At a point in time	**7,030**	22,627	**4,502**	1,024	**31,796**	15,285	**297,721**	251,089	**–**	690	**–**	–	**–**	–	**–**	–	**341,049**	290,715
Over time	**1,316,340**	2,167,551	**407,905**	441,043	**75,701**	113,238	**420,585**	488,876	**159,029**	143,200	**3,591**	4,139	**–**	–	**–**	–	**2,383,151**	3,358,047
External customers	**1,323,370**	2,190,178	**412,407**	442,067	**107,497**	128,523	**718,306**	739,965	**159,029**	143,890	**3,591**	4,139	**–**	–	**–**	–	**2,724,200**	3,648,762
Inter-segment	**34,416**	43,948	**32,659**	24,271	**70,733**	65,256	**66,036**	64,102	**4,600**	1,200	**536**	676	**112,279**	105,925	**(321,259)**	(305,378)	**–**	–
Total	**1,357,786**	2,234,126	**445,066**	466,338	**178,230**	193,779	**784,342**	804,067	**163,629**	145,090	**4,127**	4,815	**112,279**	105,925	**(321,259)**	(305,378)	**2,724,200**	3,648,762
Reportable segment (loss)/profit before the following items	**(592,755)**	(303,636)	**11,369**	39,690	**52,586**	43,755	**346,010**	411,997	**8,278**	(9,776)	**(3,533)**	(4,399)	**(173,020)**	(151,657)	**–**	–	**(351,065)**	25,974
Impairment loss net of gain on other financial assets at amortised cost[§]	**(95,903)**	(36,703)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(95,903)**	(36,703)
Fair value loss on financial assets at fair value through profit or loss	**–**	(330,015)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(330,015)
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	21,049	**–**	–	**–**	–	**–**	21,049
Gain on disposal of properties	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**26,931**	–	**–**	–	**–**	–	**26,931**	–
Reportable segment profit/(loss)	**(688,658)**	(670,354)	**11,369**	39,690	**52,586**	43,755	**346,010**	411,997	**8,278**	(9,776)	**23,398**	16,650	**(173,020)**	(151,657)	**–**	–	**(420,037)**	(319,695)
Interest income[#]	**135,839**	137,088	**9**	194	**2**	14	**8,740**	12,154	**65**	72	**588**	513	**–**	–	**(73,910)**	(47,771)	**71,333**	102,264
Finance costs	**(670)**	(1,861)	**(41)**	(55)	**(64)**	(54)	**(235)**	(80)	**(8)**	(15)	**(4)**	–	**(173,737)**	(152,657)	**73,910**	47,771	**(100,849)**	(106,951)
Depreciation and amortisation	**(236,817)**	(286,137)	**(77,926)**	(83,509)	**(6,310)**	(6,224)	**(14,941)**	(13,976)	**(6,866)**	(7,317)	**(3,823)**	(4,516)	**(49,094)**	(28,458)	**–**	–	**(395,777)**	(430,137)
Additions to non-current assets[*]	**65,164**	182,507	**24,143**	68,991	**879**	9,969	**5,550**	8,682	**2,629**	1,798	**234**	566	**75,664**	93,546	**–**	–	**174,263**	366,059

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

\# excluding interest income from a joint venture.

§ represents impairment loss net of gain on disposal and from sales transaction on other financial assets at amortised cost.

3. **Segment information** (continued)

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

	2020	2019
	HK$'000	HK$'000
Reportable segment loss	**(420,037)**	(319,695)
Interest income from a joint venture	**89,252**	77,707
Impairment loss on receivables from a joint venture	**(13,500)**	–
Share of profits/(losses) of joint ventures	**779**	(58,279)
Share of (losses)/profits of associates	**(1,180)**	3,328
Loss before income tax	**(344,686)**	(296,939)

For the year ended 31 December 2020, revenue generated from a single customer of the Group from both segments of Hong Kong TV Broadcasting and Programme licensing and distribution amounting to approximately HK$463,265,000 in aggregate has accounted for over 10% of the total revenue.

For the year ended 31 December 2019, no single customer accounted for 10% or more of the total revenue.

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

	2020	2019
	HK$'000	HK$'000
Hong Kong	**1,513,231**	2,637,063
Mainland China	**802,636**	548,529
Malaysia and Singapore	**191,200**	249,046
USA and Canada	**112,891**	116,627
Vietnam	**30,707**	31,119
Australia	**9,303**	12,055
Europe	**4,051**	3,258
Other territories	**60,181**	51,065
	2,724,200	3,648,762

4. Finance costs

	2020	2019
	HK$'000	HK$'000
Interest on bank loans and overdraft	**25,300**	2,914
Interest on Notes	**66,451**	94,226
Amortised amount of transaction costs on Notes	**7,226**	7,226
Interest expense on lease liabilities	**1,872**	2,585
	100,849	106,951

5. Loss before income tax

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

	2020	2019
	HK$'000	HK$'000
Net exchange (gains)/losses	**(28,822)**	8,108
Cost of programmes and film rights	**1,370,505**	1,747,000
Depreciation	**351,517**	399,061
Amortisation of intangible assets	**44,260**	31,076
Short-term leases		
– Equipment and transponders	**6,299**	5,574
– Land and buildings	**9,985**	10,854
Employee benefit expense (excluding directors' emoluments)	**1,372,704**	1,554,059
Gain on disposal of properties	**(26,931)**	–
Gain on disposal of a subsidiary	**–**	(21,049)
Government subsidies from Employment Support Scheme	**(202,385)**	–

6. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2020	2019
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**35,053**	37,314
– Overseas	**24,189**	7,230
– Under provisions in prior years	**2,958**	1,764
Total current income tax expense	**62,200**	46,308
Deferred income tax:		
– Origination and reversal of temporary differences	**(149,524)**	(70,112)
– (Over)/under provisions in prior years	**(254)**	5,531
Total deferred income tax credit	**(149,778)**	(64,581)
	(87,578)	(18,273)

7. Loss per share

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$280,881,000 (2019: HK$294,925,000) and 438,000,000 shares in issue throughout the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, no fully diluted loss per share was presented as the basic and diluted loss per shares are of the same amount. This is because the assumed exercise of the share options would result in a decrease in loss per share.

8. Dividends

	2020 **HK$'000**	2019 HK$'000
2019 interim dividend paid of HK$0.30 per ordinary share	**–**	131,400
Proposed 2019 final dividend of HK$0.20 per ordinary share	**–**	87,600
	–	219,000

The Directors did not recommend a dividend for the year ended 31 December 2020.

9. Interests in joint ventures

	2020 **HK$'000**	2019 HK$'000
Non-current		
Investment costs (note)	**205,178**	205,988
Funds advanced to joint ventures	**20,231**	20,231
Less: accumulated share of losses	**(222,271)**	(224,010)
	3,138	2,209
Loan to a joint venture (note)	**576,869**	579,566
Interest receivable from a joint venture (note)	**258,199**	127,130
Less: impairment loss on receivables from a joint venture (note)	**(13,500)**	–
	821,568	706,696
	824,706	708,905
Current		
Interest receivable from a joint venture (note)	**–**	42,650
	824,706	751,555

9. **Interests in joint ventures** (continued)

Note:

In July 2017, the Group entered into the agreement with Imagine Holding Company LLC ("Imagine") in relation to the formation of a joint venture company, namely Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between both parties. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. The Group has contributed to the capital of ITT in an amount of US$33,333,000 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US$66,667,000 in the form of the Promissory Note. The Promissory Note is unsecured and bears an interest rate of 12% per annum and will mature in July 2032. 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 31 December 2020 and 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 is closely monitoring the development of the COVID-19 outbreak and evaluate its possible impact on ITT's operating results. Therefore, a provision equal to 12-month expected credit losses ("ECL") of HK$13,500,000 (2019: Nil) was recognised, which was principally based on the probability of default and forward looking information on macroeconomic factors incorporated in the ECL model.

10. Bond securities at amortised cost

	2020	2019
	HK$'000	HK$'000
Non-current		
Bond securities at amortised cost:		
Unlisted	**509,197**	431,914
Listed in Hong Kong	**131,238**	441,351
Listed in other countries	**212,585**	670,950
Less: provision for impairment loss on bond securities (notes (b), (c) and (d))	**(412,125)**	(294,125)
	440,895	1,250,090
Current		
Bond securities at amortised cost:		
Listed in Hong Kong	**54,181**	125,624
Listed in other countries	**15,480**	–
	69,661	125,624
	510,556	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) carry a weighted average yield to maturity of 4.2% (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 a single issuer, which is made up by a total of 13 (2019: 26) underlying issuers of fixed income securities, represented approximately 0.8% (2019: 2.5%) of the total assets of the Group as at 31 December 2020. The underlying securities are denominated in Hong Kong dollars and US dollars. The interest received and receivable during the year from the bond securities at amortised cost amounted to HK$40,430,000 (2019: HK$93,293,000).

During the year, the Group disposed/redeemed bond securities at amortised cost with the aggregate carrying amount of HK$739,733,000 (2019: HK$781,431,000) with gain on disposal amounted to HK$22,097,000 (2019: HK$21,297,000).

10. **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.

In 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. 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 2020. Please refer the details to Note 11. The management considered full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2019 and 2020.

10. Bond securities at amortised cost (continued)

Notes:

(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.

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/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.

10. Bond securities at amortised cost (continued)

Notes:

(c) CERC Bonds (continued)

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

Based on the revised proposals dated 8 November 2019 and 25 March 2020, management 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 no further impairment losses were made during the year ended 31 December 2019 and up to the period ended 30 June 2020.

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

(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 year, the Group disposed/redeemed bond securities with a total carrying amount of HK$739,733,000. For the unlisted bond securities at amortised cost considered as credit-impaired as at 31 December 2019 and 2020, as a result of default events pursuant to the bond agreements, a lifetime ECL loss allowance has been assessed. For other bond securities considered not credit-impaired, the Group would measure the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises a lifetime ECL. With reference to the valuation performed by an independent professional valuer, the management performed an analysis of the recovery rate of bond securities by adopting its independently selected parameters which contain credit rating profile similar to each of bond securities and provided an additional ECL provision on such bond securities of HK$88 million (2019: HK$88 million) during the year. As at 31 December 2020, the net carrying amount of other securities at amortised costs after provision for impairment loss was HK$473,523,000 (31 December 2019: HK$1,308,246,000).

11. Financial assets at fair value through profit or loss

	2020	2019
	HK$'000	HK$'000
At 1 January	**–**	330,015
Change in fair value	**–**	(330,015)
At 31 December	**–**	–

In addition to the Fixed Coupon Bonds described in Note 10, 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 31 December 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. The Listing Committee of the Stock Exchange decided to cancel the listing of SMI's shares on 8 May 2020 and the listing of SMI's shares has been cancelled with effect from 14 December 2020.

11. **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 31 December 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 SMI Bonds to remain at nil.

12. **Trade and other receivables, prepayments and deposits**

	2020 **HK$'000**	2019 HK$'000
Non-current		
Prepayments related to capital expenditure	**31,360**	51,284
Current		
Trade receivables from:		
Associates	**128**	693
Third parties (note)	**1,156,938**	1,239,994
	1,157,066	1,240,687
Less: provision for impairment loss on receivables from third parties	**(61,470)**	(51,750)
	1,095,596	1,188,937
Other receivables, prepayments and deposits	**537,593**	514,201
Contract acquisition and fulfilment costs	**13,568**	19,222
	1,646,757	1,722,360
	1,678,117	1,773,644

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.

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

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

	2020	2019
	HK$'000	HK$'000
Up to 1 month	**594,594**	529,521
1-2 months	**154,637**	208,274
2-3 months	**69,060**	82,288
3-4 months	**41,256**	79,019
4-5 months	**31,446**	50,517
Over 5 months	**204,603**	239,318
	1,095,596	1,188,937

Movements on the provision for impairment of trade receivables are as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**51,750**	184,821
Provision for impairment loss – third parties	**20,594**	1,619
Reversal of provision for impairment loss – third parties	**(7,448)**	(67,549)
Receivables written off as uncollectible	**(3,656)**	(65,761)
Exchange differences	**230**	(1,380)
At 31 December	**61,470**	51,750

13. Borrowings

	2020	2019
	HK$'000	HK$'000
Non-current		
Long-term bank borrowings	**1,934,958**	–
Notes, unsecured	**–**	1,865,660
	1,934,958	1,865,660
Current		
Notes, unsecured	**1,817,689**	–
Short-term bank borrowings	**–**	342,716
	1,817,689	342,716
	3,752,647	2,208,376

13. Borrowings (continued)

Note:

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

During the year ended 31 December 2020, the Group's short-term bank borrowings with interest bearing at 2.4% per annum 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, which will mature on 6 July 2023 and bears a variable interest rate of approximately 2.4% per annum as at 31 December 2020.

14. Trade and other payables and accruals

	2020	2019
	HK$'000	HK$'000
Trade payables to:		
Associates	**158**	–
Third parties	**146,578**	83,231
	146,736	83,231
Contract liabilities	**147,666**	188,611
Provision for employee benefits and other expenses	**56,293**	97,333
Accruals and other payables	**273,697**	280,899
	624,392	650,074

At 31 December 2020, the ageing of trade payables based on invoice date was as follows:

	2020	2019
	HK$'000	HK$'000
Up to 1 month	**110,363**	58,869
1-2 months	**13,333**	17,124
2-3 months	**11,208**	2,729
3-4 months	**5,182**	1,910
4-5 months	**4,354**	1,464
Over 5 months	**2,296**	1,135
	146,736	83,231

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. These reclassifications have no impact on the Group's total equity as at 31 December 2020 and 2019, or on the Group's loss for the years ended 31 December 2020 and 2019.

MESSAGE FROM THE CHAIRMAN

Thomas Hui To

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to present the Group's results for the financial year ended 31 December 2020.

Performance

Early 2020, the onset of the coronavirus pandemic took the world by storm. This pandemic hit at a time when the Company was still recovering from a local economy previously dragged by the six-month long social unrest in 2019. As pandemic continued to loom large, both the local economy and other businesses across the globe had to wrestle with the turmoil. The financial shock felt by many corporates was overwhelmingly immediate.

In the media and entertainment sector, content production, for either movie or television, were interrupted or suspended at least during part of 2020. To address to the pandemic, our top concern was the well-being and safety of artistes and working staff, and the continuity of the production, especially the News department which operated on a 24/7 basis. We acted promptly that a series of pre-cautionary measures were introduced into our studios and offices. Despite the severity of the pandemic, we had the sheer luck to escape the outbreak, with only very minor studio downtime and none of those detrimental consequences disturbed us. For the whole year, our production output maintained at around 21,700 hours, down from the total production hours in 2019 by small margin.

Performance in Hong Kong TV broadcasting segment in 2020 was slowed by a weak advertising market. Advertising revenue was hit hard, with a 54% decline from the previous year. As Hong Kong TV advertising continues to be the top revenue contributor to TVB, management took measures to streamline the studio operations and optimise programming and overhead costs. In the international markets, advertising performance was overall fragile in our partners' platforms. Suffice to say, this had been a difficult year for media operators alike.

For the year ended 31 December 2020, the Group reported a loss attributable to equity holders of the Company of HK$281 million (2019: HK$295 million), and an adjusted EBITDA of HK$74 million (2019: HK$461 million). These results underlied the extremely tough business and market environment around the world during the pandemic especially during the first half of 2020. The business performance, however, saw some improvements during the second half, as advertisers gradually moved back into the market.

Board Strategies

Our vision is to grow TVB into a world-class media organisation, with extensive digital and direct-to-customer capabilities, amplifying our long tradition to entertain, inform and enrich audiences.

To fulfill our strategic vision, the Board endorsed a three-year strategic plan which includes the following key initiatives:

– enhance our content creation capability by focusing on premium contents that are locally relevant;

– invest in the development of our talent resources;

– migrate to a multi-platform distribution model balancing direct-to-customer digital and traditional free-to-air platforms;

– enhance and broaden our presence in mainland China while extending our direct-to-customer footprint in other markets overseas.

Also, the Board supported the expansion of direct-to-consumer model in our home market to further tap into the already sizeable subscription business via myTV SUPER and the fast-growing e-commerce business via Big Big Shop. These emerging opportunities go hand-in-hand with our long-acclaimed brand in the Chinese community and our capacity to connect audience and promote products using Jade's high audience reach in Hong Kong.

Mainland China

Mainland China represents the largest and most significant growth market for TVB. Our dramas on major Chinese online streaming platforms recorded significant hit rates, earning us financial returns as well as strengthening our brand. In 2021, we strike to complement the drama slate with an equally important non-drama genre by introducing variety programmes into the China market. We also have plans to increase the exposure of our artistes in the vast China entertainment market through collaborations with various Chinese social media platforms.

Governance

With April 2020 in retrospect, I assumed the chairmanship in the Board, subsequent to the board re-organisation at the beginning of 2020 which led to the introduction of new INEDs and the adjustments of board member responsibilities. I need to thank my fellow directors for their continuous support and most-valued advice to the Company during a period caught up with headwind. I am generously aided by Mark Lee, the Vice-Chairman of the Board, in addition to his existing executive duty as the Group CEO. By late 2020, Kenneth Hsu joined the Board as Non-executive Director who gracefully brought a wealth of experience in management and engineering, adding a touch of diversity to the Board. Eric Tsang Chi Wai joined our management team in February 2021 and served as Deputy General Manager (Non-Drama, Music Production & Programme) and the Special Advisor to the Executive Committee. Chi Wai is a high-profile veteran in the entertainment field and will assume the leading role in the variety and music productions to enter into the China markets.

Gratitude

Finally, I wish to extend my heartfelt gratitude to our shareholders, business partners and audience worldwide for their continuous support. I also wish to express my gratitude to my fellow Board members, the management team and our committed staff members and artistes for their long-standing support and passion. The short-term outlook is still full of uncertainties but with governments around the world including Hong Kong focused on containing the pandemic and restarting economies, we are hopeful for a more positive 2021.

Thomas Hui To
Chairman
24 March 2021

GROUP CEO REPORT

Mark Lee Po On

To all of our stakeholders, I wish to present my report for the year ended 31 December 2020.

Financial Highlights

2020 had been a year full of challenges as we worked hard to operate smoothly while the pandemic took hold.

Revenue for the year decreased from HK$3,649 million to HK$2,724 million, a decline of 25%. Included in revenue, income from advertisers under the Hong Kong TV broadcasting segment decreased from HK$1,910 million to HK$881 million, a decline of 54%. Non-advertising revenue from TVB's digital platforms increased from HK$509 million to HK$552 million, an increase of 8% which was driven by steady growth in subscription business and e-commerce sales. With continuous efforts to contain costs, our total costs decreased from HK$3,698 million to HK$3,253 million, a reduction of 12%. For the full year, the Group reported a loss attributable to equity holders of HK$281 million. (2019: HK$295 million).

Strategic Business Plan

Management completed a three years' strategic business plan during the year covering all business segments: terrestrial TV broadcasting; programme licensing and distribution; and the new media businesses including OTT platforms, social media and e-commerce. At the aftermath of 2019 social unrest, together with the business disruption caused by the pandemic, management needed the guidance of a well-thought roadmap to stay focused on business execution. I am thankful that the Board had supported and endorsed a three years' roadmap, as well as to see implementation of the business objectives.

Since April 2016, our transformation officially began with the launch of myTV SUPER OTT platform. Our digital strategy directed us all along to operate two OTT platforms concurrently, to develop content for the social media and to open e-commerce platforms. As new businesses launched, we carefully monitored our spending while the revenue grew. I am pleased with the Board's overwhelming support and the hard work contributed by staff members. Today, the digital businesses are making positive contribution to the Group and are the growth driver of our business. In the coming years, we strive to preserve the existing businesses and tradition, invest in digital capability and extend our promotional power into the new horizon of e-commerce.

Content Creation and E-Commerce Opportunities

Against the backdrop of the pandemic, our five terrestrial TV channels provided uninterrupted service to audience on 24/7 basis. At present, the Hong Kong TV broadcasting segment is the biggest revenue generator within the Group. Of the channels within the TVB cosmopolitan, Jade channel remains the most popular. Overall, the prime-time TV ratings of all five channels in 2020 averaged 26.5 TVRs, leading the highest of all other free TV operators in Hong Kong by more than 10 times. Our audience size and proportion have grown over the years since 2007[1] when we moved on from a dual channel analogue TV era to the five TV digital channel bundle of today. Today, our channels enjoy as high as an 86% audience share[2] in young viewer group, and an 88% share among high income group viewership. These KPIs are important but often overlooked by the market.

In 2020, we produced a total of over 21,700 hours of programmes. Amongst 17 titles of the drama productions designated for Jade's prime time, two high profile drama serials *Line Walker: Bull Fight* (使徒行者3) *and Legal Mavericks 2020* (踩過界II/盲俠大律師2020) were co-produced with Tencent Video and iQiyi, respectively and were broadcast during the fourth quarter of 2020. *Armed Reaction 2021* (陀槍師姐2021), co-produced with Tencent was also broadcast in early 2021. To update, we have three projects already contracted under co-production and more new projects are under discussion.

As the market for TV drama in China continued to thrive, our pipeline for co-production has become stronger and richer. Customers' confidence is readily built on our track record of producing popular and most sought-after titles, which helped us become their trusted producer. Apart from serving the China market, these co-production titles are designated for prime time on Jade, as well as international licensing and our OTT platforms. To continue our successful undertaking, we will continue to invest in quality content, whether drama or variety programmes, to maintain our position and influence in the Chinese content sector.

This year, we promoted the "Show and Sell" strategy as a market differentiator for our e-commerce platform. Under all terrestrial TV channels, we operated under strict compliance with the existing regulation to limit the length of advertisements we could carry during broadcasting. We started to commercialise content of some Jade's prime time programmes (for example, *Scoop* (東張西望)) for cross promotion of products of e-commerce platform Big Big Shop. We carefully packaged the production using soft selling to showcase these products, as part of our overall advertising service solution. We also entered into cross platform promotion in a new hour-long advertisement programme on Jade (*Big Big Shopping Nite* (big big shop 感謝祭)) which adopted a live selling format starring TVB artistes. Much to our delight, this programme admirably boosted sales in Big Big Shop, further testified to the promotional power of Jade. Convinced by this initial success, we intended to convert the programme into a regular gig to boost sales.

1 when compared with 2007 before the digital TV channels were launched, prime-time (Monday to Sunday 19:00–23:00) TV ratings of TVB channels averaged 25.3 TVRs. Data source: CSM Media Research.

2 Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the free TV channels. Data source: CSM Media Research.

myTV SUPER OTT Service

Since its initial launch in 2016, myTV SUPER accumulated a substantial viewer base in Hong Kong and delivered significant streaming hours, climbed the number one OTT platform in Hong Kong. We now have a combined registered base of over 9.1 million, which grew at 12% year-on-year. myTV SUPER is modelled on both a subscription and an advertising model.

In 2020, we leap forward to adopt the direct-to-consumer model to press ahead for growth. We started to promote original programmes available exclusively for the premium myTV Gold plan. Since the fourth quarter of 2020, we started to include a number of key TVB drama productions before Jade's broadcast, along with a collection of acquired titles exclusive to our premium subscribers. This myTV SUPER Original package will become a key focus in our marketing efforts to build subscribers. To-date, we have accumulated a total of over 100,000 subscribers for myTV Gold.

In advertising, we pursue advertising targeting and will continue to refine targeting to improve the outcome for advertisers. Along with entertainment streaming service, we introduced myTV Shops, our online shopping platform, as part of a T-commerce initiative during 2020. This T-commerce service includes a package of advertising spots and marketing service on myTV Shops. We believe this offers us an opportunity to build a competitive advertising service, unique in the market so far.

China and Overseas Distribution

Our operation to grow China business is well underway. Revenue from China increased from HK$549 million to HK$803 million for 2020, representing an increase of 46%. Much of this growth originated from the China co-production business which I mentioned above. In 2021, we will continue to develop new opportunities with China's online players, including content licensing, production of drama series and variety programmes. We will continue to monetise content with Mai Dui Dui app and develop talent and technology resources in China to support future production needs.

Malaysia, Singapore and Vietnam are our key overseas markets for content licensing. While we continue to serve our platform partners with our long-form content, we set to promote our OTT service TVB Anywhere working with local telcos in partnership. In 2021, our overseas distribution will expand into the areas where we partner with handset manufacturers regarding content supply.

Outlook

Amid the interruption posed by the pandemic, we are resolute to build a strong company, armed with the necessary resilience to mitigate the impact of global digital trend. We are optimistic in our new initiatives to grow subscription in OTT business, as well as to create growth in e-commerce.

We are convinced of our business strategies and cautiously optimistic of a gradual return to a vibrant advertising market in Hong Kong, once the pandemic subsides.

Mark Lee Po On
Group CEO
24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG TV BROADCASTING

For the year ended 31 December	2020 HK$ million	2019 HK$ million	Year-on-year change
Segment revenue from external customers	**1,323**	2,190	**-40%**
Segment loss before non-recurring items	**(593)**	(304)	**95%**

Hong Kong TV broadcasting comprises production and broadcasting of television programmes on terrestrial TV platform and co-production of dramas with mainland China's online video platforms. Segment revenue from external customers declined 40% from HK$2,190 million to HK$1,323 million mainly due to sluggish demand for TV commercials during the course of coronavirus pandemic. Income from advertisers under this segment declined 54% from HK$1,910 million to HK$881 million. As previously reported, income from advertisers for the first half of 2020 was HK$351 million. Hence, the income from advertisers for the second half of 2020 was HK$530 million, representing an increase of 51% over the first half.

Co-production of dramas series ramped up after a year-long interruption, with contributed income amounted to HK$321 million (2019: HK$105 million). This is a business we have emphasised to build for benefiting ourselves from the fast-growing Chinese video market (please refer to "mainland China operation" for details).

TV ADVERTISING

2020 has proved to be an extremely difficult year for Hong Kong's economy. The city had to wrestle with recession in 2019 resulting from US-China trade disputes abroad and social activities locally, followed by the first wave of COVID-19 in January 2020. As the social distancing measure rolled out and travel restrictions in place, economic activities slacked further. Annual GDP shrunk 6.1% in 2020, unemployment worsened to 7.2% in the three-month rolling period from December 2020 to February 2021, a record high in over 17 years as cases of infection climbed, consumption sentiment at local level eroded, and economic activities slowed down. Retail sales in aggregate shrunk 24.3% in 2020, the largest annual decline on record, among which, sales of jewellery, watches and clocks, and valuable gifts endured the largest decline at 54%, while medicines and cosmetics slumped 50%.

Comprehensive relief of Hong Kong's economy remains highly uncertain. Still, mainland China's economy has mostly reopened seems to be a positive sign. As cross-border trade and travel gradually normalise with widespread distribution of effective vaccine, the circulation of tradeable goods and services will be an important boost to Hong Kong's economy.

Impacted by the twin turmoil of economic downturn and public health crisis, advertisers were compelled to cut expenses. As inbound travelers became scanty, those sectors such as food and catering, personal care and beauty, travel and tourism, insurance that are heavily dependent on mainland tourists for purchase, faced sharp revenue decline. With the subsequent onset of the fourth wave of the pandemic, business environment in Hong Kong was still challenging such that only a few sectors could manage with advertising activities. They included pharmaceutical and healthcare; hygiene products; local and overseas property development; banking and finance. Yet, their overall spending on advertising was far below pre-pandemic level.

To survive the sluggish advertising market, proactive marketing strategies were applied to secure bookings from moderately affected sectors, such as internet-related services and products, pet care products. We also set to broaden the client base by inviting new categories such as virtual banking and properties beyond Hong Kong. We offered preferable advertising packages and flexible product promotional bundles to take up higher share in the clients' allocated budget on promotion.

TERRESTRIAL TV CHANNELS

As a key player in broadcasting sector, TVB is resolute to measure up to the public's expectation by delivering immediate and latest news, financial news and entertainment. Despite the predominance of COVID-19, we managed to bypass studio downtime with no interruption in programmes broadcast during the year. During this public health crisis, we have increased public awareness and facilitated positive thinking via the broad reach of our terrestrial channels, leveraging TVB's broadcasting capacity. Our capacity to connect millions of viewers every day weighed more than ever as the pandemic persisted. We assumed indispensable role to inform, entertain and provide companionship to viewers throughout the year.

In 2020, our five digital channels, on average, reached[1] out to 5.4 million in-home-viewers in Hong Kong every week and achieved higher ratings amid the home-bound norm. Our channels, in aggregate generated an average prime time rating of 26.5 TVRs[2], which is 13% higher than 23.5 TVRs in 2019. This rating of 26.5 TVRs was also significantly higher than 2.3 TVRs, 1.2 TVRs and 1.0 TVRs posted by other free TV operators, namely ViuTV, Fantastic TV and RTHK, respectively. TVB took the lead in the market with its as high as 86% audience share[3] in young audience group (below age of 35) and 88% share[3] among high income group viewership, as compared to single digits scored by other free TV operators in Hong Kong.

Each of our channels has its target demographic audience. Today, Jade, the flagship channel continues to be a family favourite and runs the most popular channel in Hong Kong. J2, a channel targeting the adolescent audience, offers chic and vibrant genres. TVB News offers 24-hour local, national and international news service and documentaries, is the most watched news channel in Hong Kong. Pearl provides entertainment and information programmes in English, along with Putonghua news service. TVB Finance & Information Channel offers instant and up-to-date local and global market insights on financial, property and topics of general interests. Such circumspective layout has won us wide viewership.

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

2 Rating represents the average size of the audience expressed as a percentage of the total TV population in consideration of viewing intensity. 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.

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

The average prime time in-home TV ratings[2] of our five terrestrial TV channels and their respective audience share[4] against total TV during prime time (Monday to Sunday 19:00-23:00) are as follows:

	2020	
	TVRs	**% of Total TV[4]**
Jade	20.4	60
J2	1.9	6
TVB News	2.3	7
Pearl	0.8	2
TVB Finance & Information Channel	1.1	3

myTV SUPER

For the year ended 31 December	**2020 HK$ million**	2019 HK$ million	**Year-on-year change**
Segment revenue from external customers	**412**	442	**-7%**
Segment profit	**11**	40	**-71%**

This segment covers myTV SUPER OTT business in Hong Kong. Segment revenue from external customers declined 7% from HK$442 million to HK$412 million mainly due to lower advertising revenue caused by a weak demand during the course of coronavirus pandemic while the subscription business delivered a solid growth.

myTV SUPER OTT service entered its 5th anniversary in 2020. Through close cooperation with local Internet Service Providers ("ISPs"), myTV SUPER continues to climb top on OTT platforms in Hong Kong. Leveraging on its large user base, the Company strategically shifted to step up direct-to-consumer businesses as the Board's endorsed three years' business plan rolled out. We believe that this is an opportune window to experiment with direct interaction with our viewers as home entertainment gained momentum amid coronavirus pandemic. In order to differentiate our service offering from other players, myTV SUPER rolled out premium service myTV Gold (with over 55 linear channels and over 90,000 hours of library programmes) in April 2019 and further improved it by adding new original content under myTV SUPER Original in August 2020 to attract new subscribers and boost ARPU (average revenue per user).

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

During the year, we piled up our original content library across multiple genres. We continued to build a solid base of subscribers, growing from strength-to-strength. As at 31 December 2020, myTV SUPER had a total registered user base of over 9.1 million and is leading the market by wide margin. The secured market position is crucial to increase subscription and develop advertising business. Our aim is to build a sustainable gateway to family entertainment, by offering a treasure trove of TVB original content (classic and new releases) an all-time favourite for local viewers, plus live sports matches, drama series and variety programmes from elsewhere around the globe.

Not only we care to entertain, we also connect with our subscribers. The full year effect of revenue contribution from myTV Gold and increase in subscription fees upon renewal since December 2019 have boosted ARPU and contributed to a 15% year-on-year growth in subscription revenue from HK$262 million to HK$300 million.

We maintained our strategic partnerships with major ISPs, including HKBN and HGC in bundling our OTT service with their broadband services. Consumers enjoy this convenience which helps us penetrate into households and ramp up content consumption. Out of our full portfolio of over 9.1 million subscribers, the number of paid subscription accounted for 1.3 million (equivalent to a 51% penetration rate into households) which represented primarily the set-top-box (STB) users opting for premium service. Subscribers from mobile devices of 6.6 million and from portal of 1.2 million which mainly stream within ad-supported free zone. During the year, myTV SUPER has strengthened its content offering and developed pricing strategy to attract the large pool of free zone users to the premium service. Users can now subscribe myTV Gold premium service via mobile devices and portal at a rate of HK$98 per month without annual commitments and via STB at HK$148 per month.

The newly-introduced myTV SUPER Original offers self-produced programmes ranging from dramas to lifestyle and renders priority access to new original TVB dramas to myTV Gold users. These efforts had boosted the growth in myTV Gold subscriber to over 100,000 as of mid-March 2021. With more appealing premium content and flexible service plans (via ISPs and retail channels) in store, we expect our subscription business to grow accordingly.

During the year, premium content has further contributed to the rise in content consumption. The average weekly time spent in 2020 was 20.79 million hours, equivalent to an average weekly consumption of 18.8 hours per unique stream viewer. All-day-all-time average rating was 1.89 TVRs, while the viewing of programmes during the prime time on myTV SUPER translated to a rating of 3.39 TVRs.

Registered users of myTV SUPER	**As of 31 December 2020**	As of 31 December 2019	**Year-on-year change**
STB	**1,305,463**	1,281,555	**2%**
App	**6,601,358**	5,774,767	**14%**
Web	**1,248,369**	1,100,805	**13%**
Total	**9,155,190**	8,157,127	**12%**

Consumption and rating performance of myTV SUPER	**2020**	2019	**Year-on-year change**
Average weekly time spent (hours)	**20.79 million**	20.23 million	**3%**
Average weekly time spent per unique stream viewer (hours)	**18.8**	16.4	**15%**
All-day-all-time ratings (TVRs)	**1.89**	1.84	**3%**
Prime time ratings (TVRs)	**3.39**	3.26	**4%**

According to the 2020 Video Consumption Landscape Survey conducted by Nielsen, myTV SUPER reached 58% of the TV population and the digital audience participating in this survey spent an average 118 minutes on myTV SUPER platform, surpassing the average consumption of 69 minutes and 44 minutes on YouTube and Facebook videos, respectively. Amid the pandemic, stay-at-home routine has been driving the spike in time spent, and big screen players are gaining market share from social media on video consumption. Share of attention of myTV SUPER increased to 15% in 2020 (2019: 13%). This has put us in a favourable position to compete for advertising business.

The advertising business was adversely interrupted as the pandemic continued to spread; clients either cancelled or deferred ad bookings whenever new wave of infection recurred. Our advertising revenue dropped 40% from HK$176 million in 2019 to HK$105 million in 2020.

Relief from the restrictive broadcasting regulations, myTV SUPER is blessed with leeway to help advertisers market their products, and thus manages to lift conversion rate via interactive ad procedures. We continued to enhance the efficiency of our advertising solutions. For instance, we strengthen our digital and data-driven proficiencies through targeting technology and focusing on big data analytics. More importantly, myTV SUPER combines e-commerce analytics data with our audience viewing behaviour data, turning granular data into valuable data to help advertisers to improve the audience targeting under myTV SUPER's Data Management Platform (DMP).

Our in-video product placements help advertisers convey a resonant brand story and increase the conversion rates. The in-stream video completion rate of myTV SUPER ads is 85%, which beats the international standard.

myTV SUPER is poised to become an ideal platform to bring viewers to interact with advertisers for an eventual OTT-commerce platform. In late 2019, we introduced clickable TV ads solution (named OK Buy) on myTV SUPER to direct viewers to the advertisers' e-commerce platforms through their "second" screens. In the next phase, we plan to upgrade our clickable TV ads features to allow viewers to purchase products instantly on our STBs starting from the second half of 2021. To create a seamless shopping experience, we are negotiating with payment service companies to accept instant payments via stored-valued cards.

A new all-in-one OTT-commerce solution (named myTV Shops) is now available in myTV SUPER. myTV Shops provide advertisers an efficient sales process management solution by combining marketing funnel and sales funnel in one go. We help advertisers to capture as many leads as possible at the early stage of the marketing tunnel through creative and powerful content marketing featuring our artistes, attract target consumers, increase brand awareness and build trust. In the next phase, we turn the marketing funnel to a sales funnel by nurturing the consumers with valuable information that helps them make an informed purchase decision and ultimately convert to a sale through OK Buy.

To best leverage TVB's cross platform promotion power, myTV SUPER recently launched a special cross-platform commercial inserts package where advertisers can promote their products on our terrestrial TV, OTT and social media platform packaged as a bundle solution. Riding on the success of TVB's drama series, tailor-made commercials and drama scenes are merged with the portray of "Drama Characters" by the actors/actresses in the show. These creative inserts are meant to boost promotion effect as advertisers' merchandises become more identifiable as well as charming. Town Gas, Wechat Pay and Alipay are the first to try this new creative format for their new product launch campaign. To-date, we have received encouraging responses from other advertisers as well.

BIG BIG CHANNEL AND E-COMMERCE

For the year ended 31 December	**2020** **HK$ million**	2019 HK$ million	**Year-on-year** **change**
Segment revenue from external customers	**107**	129	**-16%**
Segment profit	**53**	44	**20%**

Big Big Channel and e-Commerce segment comprises e-commerce (Big Big Shop), social media advertising (Big Big Channel), music entertainment (Voice Entertainment) and events management (TVB Event Power). This segment, crossing over with other TVB channels, helps commercialise TVB's capacity to create wide-range content, as well as its marketing power, via online and offline channels.

During the year, we ramped up effort to promote online shopping at our Big Big Shop. A variety of new short videos were created for airing in social media platforms to raise advertising income. Big Big Shop's Gross Merchandise Value soared by 350% from HK$32 million to HK$142 million. The overall segment recorded a 16% decrease in external revenue from HK$129 million to HK$107 million due to sharp revenue decline from events management business amid pandemic.

BIG BIG SHOP

Big Big Shop ("BBS") is an offshoot from our e-commerce. BBS, marked with fascinating brand stories and good values has grown into a popular online shopping platform, where high-quality, premium products are shelved. Since its inception in mid-2018, BBS has applied "showing on TV, selling in Big Big Shop", a pragmatic marketing strategy, to gain from impulsive buying following the initial promotion on TVB channels. This convenient e-commerce ecosystem has powerfully connected millions of local and overseas viewers, as well as to provide one-stop marketing solutions for manufacturers and shop owners with the need to promote and sell their products. BBS collects commission for advertiser-sponsored products sold via the platform, and also operates direct merchandising for selected TVB programme/artiste related premium products. This online shop exploits TVB's distinguished capacity to create contents, plus its various terrestrial channels and artiste/KOL resources, smoothly converting viewers into buyers. With the art of soft selling and brand building tactfully applied, we help advertisers increase brand resonance and sales conversions with the aid of persuasive lifestyle storytelling. We blended product features naturally into prime time programmes such as *Scoop* (東張西望), *Homegrown Flavours* (香港原味道), *Good Cheap Eats* (食平D) and *Big Big Shopping Nite* (big big shop 感謝祭). The feel-good vibes have invariably created good sales responses. We continue to draw in new viewers by engaging artistes/KOLs endorsements and TV reviews, while we also apply big data analysis to enable target marketing on BBS. Such endeavours meant to increase conversion rates and recurring orders by personalising product recommendation for target customers based primarily on their browsing behaviour and purchase history.

The digital convenience attached to online shopping has convinced consumers to shift their purchases online as shoppers have been avoiding visits to physical shops amid the pandemic. We can attract manufacturers and brand owners who wish to tap into Big Big Shop's powerful marketing prowess to sell their products on our platform. During the year, we worked with the official organiser of *Hong Kong Animation-Comic-Game Festival* (香港動漫電玩節) to sell products on TV and BBS as the annual exhibition was held back. The event *Big Big Animation Festival* (big big 動漫節) featured with shows, cosplay has attracted big anime fans and video gamers to our online shop. Our regular show, *Big Big Shopping Nite* (big big shop 感謝祭) series not only introduced many good value products but also helped broaden our shopper base. During 2020, our average monthly active users[5] increased over five times to nearly one million while the average order value reached HK$589.

Looking ahead, we will expand our presence into the Greater Bay Area (GBA) and the Southeast Asia markets (Malaysia and Singapore), where plenty of TVB viewers are located.

5 Number of average monthly active users is extracted from Google Analytics.

SOCIAL MEDIA

Big Big Channel ("BBC") has gained popularity, both as a platform for short form videos and hub for digital marketing. BBC is using the expanding follower base and growing stream views worldwide for monetisation. With short video continuing to grow in popularity and importance, we have increased our production in online centric content, which included memorable scenes from popular dramas and variety shows, entertainment news and music videos. Our sustained efforts contributed to an 80% increase in average weekly stream views from 15.3 million in 2019 to 27.6 million in 2020. We now engage with 12.8 million followers globally via our own BBC app and TVB's social media accounts on Facebook, YouTube, Instagram, Twitter, Sina Weibo, Youku and TouTiao.

	As of 31 December 2020	As of 31 December 2019	**Year-on-year change**
Aggregate number of followers* (all online platforms carrying BBC's content)	**12.8 million**	11.3 million	**13%**
Average weekly stream view	**27.6 million**	15.3 million	**80%**

* Exclude Tencent Weibo, which ceased operation in 2020.

During the year, BBC continued to strengthen its synergy with TVB channels and exercise TVB's online and offline power, by creating more spin-off content for social media platforms. Those videos, with episodes extracted from *Chef2020* (疫境廚神), *Tung Wah Charity Gala* (歡樂滿東華), *Miss Hong Kong Pageant 2020* (2020香港小姐競選), *contestants online interview and audition contest for airline staff from See Me Fly Again* (衝上雲霄大選), were created to solicit interaction with netizens and broaden audience base among young audience in the regions.

Meanwhile, we set off to secure license for short videos to ISP and mobile device manufacturer in 2020. We entered the first licensing agreement with China Mobile to license a library of BBC short videos for its network customers in Hong Kong, deemed as a value-added service. Our short videos are also supplied to Huawei Video app, a pre-loaded application on all Huawei mobile devices. The collaborative ventures initially ran across 26 markets and will definitely be further extended in 2021.

In 2021, we will make use of the bonding we developed with the viewers and engaged TVB artistes/KOLs to create captivating content. Popular episodes from iconic dramas will be extracted, applying the recent AI super-resolution technology to introduce viewers a fresh perspective.

MUSIC ENTERTAINMENT

The Voice Entertainment Group Limited ("VEG") is the music and entertainment label of TVB. The record label produces, publishes and licenses musical works, distributes sound recordings, plus hosting live concerts and artistes' management. During the year, our music streaming income from hit singles recorded marked increment as stream views increased 14% compared with last year. However, VEG's overall performance was affected as live concerts were held back.

In terms of YouTube streaming performance, VEG became the number one record company again. In late 2020, a spectacular drama series *Hong Kong Love Stories* (香港愛情故事) grabbed three hit singles for VEG: Vivian Koo's *Crying* (哭牆), Shiga Lin's *The things we do for love* (愛情事) and Brian Tse/Joey Thye's *Against the current* (逆流直上) won us top 3 listings on iTunes pop chart.

EVENTS MANAGEMENT

TVB Event Power offers a one-stop solution in event planning, management and production, exercising TVB's resources in talent, stage management, online and offline promotion. We were blessed with a promising start last year with many projects lining up. Yet, owing to the outbreak of COVID-19 early of 2020, event business was hit and this takes time to heal.

We expanded the use of SEO (search engine optimisation) and SEM (search engine marketing), a comprehensive solution in our digital marketing services. We also developed our content marketing by using TVB programmes, artistes and our well-established user base in BBC and various social media platforms.

The pandemic has forced physical events to come to an abrupt halt, though some marketers had managed to act promptly, converting live events into virtual streaming. The brand new service, TVB Virtual Event Power was introduced that helped marketers host event online, leveraging TVB channels and social media exposures.

The pandemic has obviously sped up the migration into digital. Today, virtual events have become popular. We believe that advertisers will continue to increase their online presence in the aftermath of pandemic. We expect hybridisation will become a new normal as hybrid events can introduce technologies into the traditional events and create new types of experience, new ways to handle events management and can reach for wider audienceship across the globe.

As for the GBA, we aim to host events for Hong Kong companies with the GBA as their target market, and also partner with local enterprises in GBA to capture the massive business potential yet to be exploited.

MAINLAND CHINA OPERATIONS

Our mainland China businesses mainly comprise co-production of programmes and licensing of contents to digital new media platforms. In 2020, total revenue from mainland China operations increased by HK$254 million or 46% from HK$549 million to HK$803 million mainly due to higher co-production income from HK$105 million in 2019 to HK$321 million in 2020 while new media licensing income also increased from HK$352 million to HK$427 million.

DRAMA CO-PRODUCTION

Over the years, we have built a robust production pipeline in co-production by working with mainland's online video platforms. Co-production is a more immersive format of penetrating the mainland market adopted since 2017, where the online platform joined in for storyline, casting etc. Associated rights are allocated between the respective online partners (taking PRC rights) and TVB (taking all the non-PRC rights). This collaboration model with Chinese partners creates good value to TVB in terms of either operational or long-term value perspective.

During the year, we recorded a total of HK$321 million of co-production income. The COVID-19 outbreak in early 2020 brought upon unprecedented challenges to the programme production team. With an abundance of pandemic precautions, we carefully continued production and made commendable progress across all projects, including *Line Walker:Bull Fight* (使徒行者3) (Tencent), *Legal Mavericks 2020* (踩過界II/盲俠大律師2020) (iQiyi), *Armed Reaction 2021* (陀槍師姐2021) (Tencent), *Murder Diary* (刑偵日記) (Youku), *Barrack O'Karma 2* (金宵大廈2) (Youku) and *Big White Duel 2* (白色強人II) (Youku).

Line Walker: Bull Fight, Legal Mavericks 2020 and *Armed Reaction 2021* were completed and released on the respective mainland online platforms. The production of other three titles, namely *Murder Diary, Barrack O'Karma 2* and *Big White Duel 2* are designated for completion and delivery in 2021.

Since 2017, we experienced success with a track of eight TVB produced titles, each testified to be a unique caliber. This business model has enabled us to build online viewership and strengthen our brand name as a content provider. With more titles gathering stream views and online applauses, the value of our productions has increased over the years, enabling us to work with more online platforms on bigger budgets original series.

Going forward, adding to TVB's successful IP portfolio, we will debut more new original series in addition to developing new seasons of hit dramas for 2021 and beyond. We will continue to fill the production pipeline with active development slate aimed at leading online platforms in mainland China.

During the year, we announced a strategic framework cooperation agreement with Youku. Collaboratively, we aim to strengthen cooperation on production and distribution 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. Our first three original titles for Youku, namely *Murder Diary, Barrack O'Karma 2* and *Big White Duel 2* are in various stages of production, and are targeted to launch into the market in 2021 and beyond.

NEW MEDIA LICENSING

We license content to various online platforms such as Youku, BesTV, Migu. New media licensing revenue increased 21% from HK$352 million in 2019 to HK$427 million in 2020. With a growing demand from the viewers, online video platforms continued to aggregate platform-exclusive content under licensing arrangements. Similar to the previous years, Youku and TVB entered into arrangements to release a selection of new TVB drama titles simultaneously in mainland China and Hong Kong. These simulcast arrangements generate higher licensing revenue for us. New drama titles such as *Life After Death* (那些我愛過的人), *The Forgotten Day* (失憶24小時) were licensed and delivered to Youku under this arrangement in 2020.

We will expand our content volume directed at the China market, by means of licensing and co-production. We trust that the way content are digested in the mainland is evolving. Based on an on-going basis, we will make the best use of TVB's IP, artiste resources to reap further benefit in the China market.

We started introducing new models, including monetising through short videos, along with artistes/KOL live streaming e-commerce. In addition to the three online platforms (Tencent, iQiyi, Youku), we expect to work with live-streaming and video-sharing platforms. Apart from the content provider model, we intend to assume an active role in online platforms, with direct access to customers.

Mai Dui Dui, a social media app launched by our China’s associate since 2018, engaged seamlessly with audience and fans in the mainland, aided by wide range of TVB short-form content including live events and artiste chats. This service helped seal the bond with fans and boost the popularity of TVB programmes and artistes.

INTERNATIONAL OPERATIONS

Our international operations comprise programme licensing and distribution, TVB Anywhere OTT service and overseas pay TV operations. During the year, we continued to expand our business mode from the traditional direct-to-home (DTH) model to the OTT model for a wider global coverage.

PROGRAMME LICENSING AND DISTRIBUTION

For the year ended 31 December	2020 HK$ million	2019 HK$ million	Year-on-year change
Segment revenue from external customers	**718**	740	**-3%**
Segment profit	**346**	412	**-16%**

Programme licensing and distribution business comprises mainly the distribution of TVB's programme outside Hong Kong through telecast and new media licensing. During the year, revenue from external customers decreased by 3% from HK$740 million to HK$718 million. Licensing income from mainland China delivered solid growth, but segment's overall performance was adversely impacted by lower revenue from Malaysia.

The traditional markets for programme licensing and distribution include Singapore, Malaysia and Vietnam. Within the geographical boundary of each of these countries, we supply our content under a programme supply contract to one or multiple platforms.

In 2020, the pandemic interrupted many of the carefully planned projects with our platform partners. To overcome the disruptions, we swiftly changed the modes of production and delivery for many of the projects from physical marketing events to virtual streaming, and by having the sponsored production projects filmed at the Hong Kong studios instead of overseas. These actions helped protect some of our revenue in Malaysia and Canada.

In Malaysia, a new set of programme supply agreement was concluded with MEASAT Broadcast Network Systems, pursuant to which, we exercise greater flexibility in advertising sales and channel operations in this market. Our focus is to differentiate our programme offerings from other key players in the market. We intended our progamme to appeal to target audience as we started to enhance local programmes and step up artiste promotions. We aim to attract existing and new advertisers to invest in title sponsorship and product placements as our celebrity-anchored programmes had been effective in story-telling and brand-building. Due to travel bans, the new season of a popular CNY programme *Maria's Auspicious Menu V* (肥媽新年新煮意5) had to be filmed in Hong Kong instead of Malaysia. We joined forces with local artistes and production houses to create local content. One example in the pipeline is the Malaysian version of *Scoop*, a Jade's well-liked infotainment programme.

In Singapore, a programme supply agreement with StarHub Cable Vision was renewed. Alongside the programme supply agreement with Singtel, our programmes enjoy a high penetration in the pay TV market in Singapore. We are increasing our popularity in the mass market by supplying our content to Mediacorp, the national public broadcaster.

Licensing business in Vietnam was only moderately affected by the pandemic since the main source of revenue was generated from Saigontourist Cable Television under a fixed-fee arrangement. Advertising income contracted though because advertisers shifted some advertisements from traditional media to new media platforms.

In Canada, we entered into the second year of our three-year programme supply contract with Fairchild Television, where for 2020, we cooperated with them on hosting online promotional activities.

OVERSEAS PAY TV AND TVB ANYWHERE

For the year ended 31 December	**2020 HK$ million**	2019 HK$ million	**Year-on-year change**
Segment revenue from external customers	**159**	144	**11%**
Segment profit/(loss)	**8**	(10)	**Turnaround**

This segment revenue comprises income from TVB Anywhere OTT business, pay TV platforms in the USA and new media platforms globally. Segment revenue from external customers increased by 11% from HK$144 million to HK$159 million with segment result significantly improved from a loss of HK$10 million to a profit of HK$8 million.

OVERSEAS PAY TV

The renewed agreement concluded with DISH Network provides us the flexibility to further develop our OTT business in the US market. Both our VOD and live streaming channels are available across all our OTT platforms – mobile devices, website, and most of the top branded connected TV devices including Apple TV, Roku and Amazon’s Fire TV.

TVB ANYWHERE

TVB Anywhere is TVB’s OTT platform for markets outside Hong Kong (except mainland China). This service is accessible through our branded STB, TV app and mobile app, carrying over 30,000 hours of content. Today, subscribers to TVB Anywhere, together with subscribers/users from third-party online platforms carrying TVB content, have an aggregate user base of 18.2 million, an increase of 33% from 13.7 million in 2019.

TVB Anywhere Set Top Box (STB) and TVB Anywhere+ Application

The distribution of TVB Anywhere STB, heavily depended on retail distribution was interrupted due to the pandemic. New version of STB working with Android TV OS was launched in December 2020. The new STB saw its first global release via an online shop, Shopee, in Singapore with an encouraging reception. More online shopping platforms will be linked up to distribute the new STB to accommodate the emerging purchasing pattern.

The TVB Anywhere+ app is available online for all overseas markets. Up to six audio or subtitled versions (Audio tracks: Cantonese, Mandarin, Vietnamese and Thai; and Subtitles: Chinese, English and Bahasa Indonesia), multiple screens access (mobile devices and selected models of smart TV), together with global access and single sign on are available.

To grow the app's users, we have begun to work with device manufacturers. TVB Anywhere+ app was launched on Samsung smart TVs in Singapore where customers can subscribe to TVB Anywhere+ service. We target to offer similar access to other smart TV brands in the first half of 2021.

Distribution through Third Party Online Service

TVB Anywhere is collaborating with global mobile device makers on a bundled SVOD service package. In April 2020, a TVB Anywhere SVOD service landed in Huawei mobile devices as a pre-loaded application and is available in 26 markets. TVB Anywhere plans to introduce this VOD service to more mobile device brands.

Distribution through Social Media Platform

TVB Anywhere operates multiple branded YouTube channels across the globe, providing TVB archive contents for YouTube users for advertising income. In 2020, we were granted the honour of "Annual Partner Award for Globalisation" from YouTube, which testified to our work to market contents worldwide over the past year. Besides Cantonese, Mandarin, Vietnamese, Thai and Cambodian audio versions, we have included Bahasa Indonesia and Arabic subtitled versions into our YouTube offerings.

COMBATING PIRACY

Piracy is considered as biggest challenge in digital streaming. We continued to tackle piracy in a proactive manner by enlisting a special task force comprising of in-house digital forensic specialists, engineers and lawyers to conduct anti-piracy actions, including site blocking, delisting piracy links, etc.

In 2020, we successfully blocked 164 piracy websites and domain names of piracy set-top boxes. Amongst these 164 blocking orders, 95 were in Malaysia, 50 in Singapore and 19 in Australia. These blockings have contributed to piracy traffic dropping to almost 74% to the top-ranked 164 piracy websites and set-top boxes.

Given that pirated TVB contents can easily be found on search engines and social networks, we took measure to address to the problem, aided by the popular search engines (e.g. Google) and online social networks (e.g. YouTube). In 2020, we have delisted 3.3 million piracy links from search engines and have taken down 250,000 video links from social networks.

We have followed closely the latest trends of online piracy and are developing in-house systems to identify online infringers and to preserve digital evidence for subsequent law enforcement actions. In 2020, we referred two cases to Hong Kong Customs for investigations.

Owing to our holistic approach in tackling of online piracy, the traffic to the authentic TVB websites and online video platforms increased by about 10%.

STRATEGIC INVESTMENTS

Imagine Tiger Television

Imagine Tiger Television ("ITT") is a joint venture entity in which TVB and Imagine Entertainment in the US, each has a 50% interest and operates from Los Angeles, USA. This joint venture set to finance the production of a slate of TV drama serials for the US and the international markets. As at 31 December 2020, the investment in ITT carried forward amounted to US$108 million and comprised US$75 million in a 12% promissory note, together with interest accrual.

Since March 2020, ITT was affected by the spread of COVID-19 pandemic, where television content production initially interrupted, followed by suspension in the first quarter of 2020. Though production resumed in the fourth quarter, difficulties abounded due to safety concerns, precautions and the requirements to comply with government's measures and union's mandated protocols. Various preventive measures included quarantine after outbound travel, social distancing, COVID-19 screening and testing, personal protective equipment for all cast and crew, mandatory cleaning procedures, and reconfiguration of on-set workspaces and practices.

We expect COVID-19 precautionary measures could remain in place well into 2021. Only when ITT, together with its production partners, under the central directives from governments and unions, have decided that a safe and healthy working environment eventually established can the measures be relieved and production resumed for cast and crew.

Despite harsh reality posed by the pandemic, ITT conquered it all and had work resumed, Production on pilot *Langdon* for NBC completed, which is a drama series based on Dan Brown's best-selling thriller novel *The Lost Symbol*, working collaboratively with CBS Television Studios and Universal Television, with Ashley Zuckerman (HBO's *Succession* and FX on Hulu's *A Teacher*) starred to play the young Robert Langdon.

ITT entered production phase for the second season of the dark comedy anthology series *Why Women Kill* for CBS All Access, created by Marc Cherry, and is set to air in 2021.

August Snow, a drama series starred and executive-produced by Keegan-Michael Key, is the most recent ITT project underway, with script contributed by ABC. We will continue to load the production pipeline with active development slate, aided with premium cable, broadcast network that enables us to gain streaming platform buyers.

Shaw Brothers Holdings

Shaw Brothers Holdings (stock code: 00953) invests in movie, drama and artiste management businesses, co-owned 29.94% by China Media Capital ("CMC") and TVB, among which, TVB owns an effective interest of 11.98%. As COVID-19 hit in 2020, Shaw Brothers Holdings strived to produce increasing number of quality movie and TV content, which have earned popularity among mainland China audience. The co-produced movie, *Line Walker 2: Invisible Spy* (使徒行者之諜影行動) and the co-produced drama, *Flying Tiger 2* (飛虎之雷霆極戰) were released in 2019 honoured with the "Golden Angel Award Films" at the 16th Chinese American Film Festival and the "Best Web Series" in the 16th Chinese American Television Festival in 2020, respectively.

The movie *Leap* (奪冠), investment by Shaw Brothers Holdings, told the uplifting and glorifying story of Chinese women's national volleyball team spanning over 40 years, was released during the National Day holiday in 2020 with box office receipts of more than RMB800 million in mainland China.

A six-episode online TV drama *Impossible Three* (非凡三俠), an action-comedy series co-produced by Shaw Brothers Holdings, was released on Youku platforms in the second half of 2020. This online TV drama starred by Bosco Wong (黄宗澤), Julian Cheung Chi-lam (張智霖) and Chrissie Chau (周秀娜) has earned immense popularity among audiences for its creativity and stirring thrill.

Following the success of *Flying Tiger* drama series, Shaw Brothers Holdings commenced the shooting of the third *Flying Tiger* sequel with the title *Flying Tiger 3* (飛虎之壯志英雄), to be released on Youku platform late 2021. Shaw Brothers Holdings is exploring development potential in movies, drama and non-drama productions and artiste management sectors with a view to create synergies to their existing businesses.

FINANCIAL REVIEW

OPERATING RESULTS

Revenue of the Group decreased from HK$3,649 million to HK$2,724 million, a decrease of 25%. The top line decrease was mainly due to a low demand for advertising services as a result of COVID-19 pandemic throughout the whole year which weakened the broader economy and hurt our advertising business, resulting in a sharp decline in advertising revenue from Hong Kong TV Broadcasting from HK$1,910 million to HK$881 million, a decline of HK$1,029 million or 54%. This decline in revenue was compensated by increase in co-production revenue by more than 2 times from HK$105 million to HK$321 million from six co-production projects at various production stages against only one co-production project in 2019.

Cost of sales decreased from HK$2,167 million to HK$1,877 million, a decrease of 13%. Included in cost of sales were the costs of programmes and film rights which amounted to HK$1,371 million (2019: HK$1,747 million), a decrease of 22%. The decrease in costs of sales was mainly due to savings from a series of cost control measures, with the view to optimise the overall costs of programmes.

Selling, distribution and transmission costs decreased from HK$646 million to HK$591 million, a decrease of 8%. This decrease was mainly related to lower sales commission and other reductions in sales-related costs after exercising cost control measures.

General and administrative expenses decreased from HK$885 million to HK$785 million, a decrease of 11%. The decrease was attributable to lower salaries and wages under the Hong Kong TV broadcasting segment after rationalisation in manpower relating to production supportive services made in December 2019 and certain reductions in overheads.

Overall, total costs (comprising cost of sales, selling, distribution and transmission costs and general and administrative expenses) decreased from HK$3,698 million to HK$3,253 million, a decrease of 12%.

Under the Hong Kong Government's Employment Support Scheme to assist employers impacted by the COVID-19 pandemic, the Group received a sum of wage subsidies totalling HK$202 million for the months from June to November 2020, which was booked under other revenues. As a result, other revenues totalled HK$223 million for the year (2019: HK$14 million). The Group did not implement any involuntary no-pay leave or pay cut measures amid a declining business trend during the year.

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. Over 50% of bond securities with a total carrying amount of HK$740 million (out of a total carrying value of the portfolio of HK$1,376 million at 31 December 2019) were disposed of during the year which generated a gain of HK$22 million (2019: HK$21 million), negating the impact of impairment losses totalling HK$118 million (2019: HK$88 million) on bond securities at amortised cost. These impairment losses were made after considering the gradual increase in credit risk of bond securities under the COVID-19 environment and the latest development of certain credit-impaired bond securities.

In addition, the Group disposed of its remaining properties in Taiwan which were considered non-core assets which resulted in a gain on disposal of HK$27 million (2019: a gain on disposal of HK$21 million in relation to disposal of a subsidiary holding a self-used office premise in Hong Kong).

Except for the abovementioned non-recurring disposal gains of properties and a subsidiary, other net losses of HK$3.1 million (2019: net gain of HK$30 million) were recognised which mainly comprised losses on movie investments of HK$33 million which were caused by the negative environment for cinema business under the COVID-19 pandemic, after netting an exchange gain of HK$29 million which was contributed by the appreciation of RMB arising from RMB-denominated cash and trade debtors, and the depreciation of USD on USD-denominated net TVB Bonds during the year.

Against an increasing credit risk of collection, the Group has provided an additional impairment loss on trade debtors of HK$13 million during the year albeit an improved ageing of debtor balances of over 5 months at 31 December 2020. In 2019, a reversal of impairment loss on trade debtors of HK$66 million was made following the successful collection of a debtor balance of HK$46 million previously impaired in prior years.

Interest income totalled HK$161 million for the year (2019: HK$180 million) which comprised interest income from the Company's investment portfolio and interest income from the promissory note to Imagine Tiger Television ("ITT").

Finance costs totalled HK$101 million for the year (2019: HK$107 million), which mainly comprised the interest costs of the US$500 million 3.625% notes issued by TVB Finance Limited due 2021 ("TVB Notes"), net of the interest income received in relation to the TVB Notes held under the investment portfolio. 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 consolidated statement of financial position.

During the year, the Company purchased TVB Notes totalling HK$45 million through the open market. Together with the purchase of TVB Notes previously made by way of an open offer during second half of 2019 of HK$655 million, the Company is holding TVB Notes in the investment portfolio in aggregate of HK$2,075 million. Therefore, interest costs payable to holders of TVB Notes were reduced by HK$28 million for the year.

ITT, the joint venture between Imagine Entertainment and TVB, made a net operating loss (before interest expense to TVB) of HK$88 million during the year as the production of TV drama serials was substantially halted under the impact of COVID-19 pandemic. No profit or loss sharing from ITT was recognised during the year (2019: shared a loss of HK$59 million) as the equity portion of the investment had been fully written down through absorption of losses since its inception in 2017. After considering the negative impact on business in the US as a result of COVID-19 pandemic and its impact on ITT's pace of development, a provision of HK$13.5 million was recognised against the receivables from ITT based on a forward-looking basis under ECL model.

The Group recorded an income tax credit of HK$88 million (2019: HK$18 million), mainly arose from tax losses recognised from Hong Kong TV broadcasting segment. Whilst TVB's main business in Hong Kong was 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 year totalled HK$281 million (2019: a loss of HK$295 million), giving a basic and diluted loss per share of HK$0.64 (2019: HK$0.67).

Adjusted EBITDA[1] decreased from HK$461 million to HK$74 million, representing a decrease of 84%. The changes was mainly due to the sharp decline in Hong Kong advertising revenue by HK$1,029 million, which was partially compensated by increase in China operation income by HK$254 million and savings in costs of HK$445 million as a result of exercising cost control measures.

SEGMENT RESULTS

Segment	**Hong Kong TV Broadcasting**	**myTV SUPER**	**Big Big Channel and e-Commerce business**	**Programme licensing and distribution**	**Overseas pay TV and TVB Anywhere**	**Other activities**	**Corporate support**
Nature of revenue	Advertising revenue and production income from co-production drama serials	Subscription and advertising revenue	Advertising revenue; e-commerce; sales commission; fees for events management; music royalties and licensing income	Licensing income from telecast, video and new media distribution	Subscription and advertising revenue	Rental income	Group financing services, and new media platforms development and IT support services

[1] Adjusted EBITDA means loss for the year before financial costs, income tax credit, depreciation and amortisation, share of results of joint ventures/associates, impairment loss on receivables from a joint venture, interest income, impairment loss net of gain on disposal/from sales transaction on other financial assets at amortised cost, fair value adjustments on financial assets at fair value through profit or loss, gain on disposal of a subsidiary 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.

Segment revenue from Hong Kong TV broadcasting's external customers decreased from HK$2,190 million to HK$1,323 million, a decrease of 40%. The decline was contributed by the decline in income from advertisers from HK$1,910 million to HK$881 million, a decrease of HK$1,029 million or 54%. With the help of growing co-production business, revenue of HK$321 million (2019: HK$105 million) was recorded from six different co-production drama serials at various production stages against only one drama serial in 2019 which led to an increase in revenue of HK$216 million. Overall, the costs under this segment reduced from HK$2,538 million to HK$2,124 million, a decrease of HK$414 million or 16%. After receipt of government wage subsidies of HK$173 million, this segment reported a loss before non-recurring items of HK$593 million (2019: a loss of HK$304 million).

Segment revenue from myTV SUPER's external customers decreased from HK$442 million to HK$412 million, a decrease of 7%. Despite of an increase in subscription revenue from HK$262 million to HK$300 million with the full year effect of myTV Gold launched in second quarter of 2019, the expanding user base was weakened by lower demand of advertising via myTV SUPER platform due to COVID-19 pandemic, which led to a decrease in advertising revenue of HK$71 million. The costs increased slightly from HK$427 million to HK$434 million with increasing spends on enriching content during the year. This segment reported a gain of HK$11 million (2019: a gain of HK$40 million).

Segment revenue from Big Big Channel and e-Commerce business's external customers decreased from HK$129 million to HK$107 million, a decrease of 16%. Under COVID-19 pandemic, events management business was heavily affected, which resulted in a drop of revenue by HK$22 million. Alternatively, e-commerce business with a higher profit margin showed a strong growth momentum. Big Big Shop's Gross Merchandise Value soared by 350% from HK$32 million to HK$142 million. As a result, this segment recorded a gain of HK$53 million (2019: a gain of HK$44 million).

Segment revenue from programme licensing and distribution's external customers decreased from HK$740 million to HK$718 million, a decrease of 3%. The decrease in revenue was mainly attributable to the decreased licence fees from pay TV customers in Malaysia, which was partially offset by the increased licensing income from new media platforms in the Mainland China. This segment profit decreased from HK$412 million to HK$346 million.

Segment revenue from overseas pay TV and TVB Anywhere's external customers increased from HK$144 million to HK$159 million, an increase of 11%. The increase was mainly attributable to the growth in both subscription and advertising income after the launch of TVB Anywhere+ app but maintaining the same level of expenditure of HK$155 million in both years ended 31 December 2020 and 2019. As a result, this segment turned around and recorded a gain of HK$8 million during the year (2019: a loss of HK$10 million).

Segment revenue from other activities maintained at HK$4 million (2019: HK$4 million) and generated the same level of loss of HK$4 million during the year (2019: a loss of HK$4 million).

Corporate support segment includes the costs of financing (mainly finance costs for the TVB Notes), as well as technical IT support and development for the major business units of the Group. The IT support and development costs are fully charged to the respective business units and hence, the increase in loss of this segment from HK$152 million in 2019 to HK$173 million in 2020 was mainly attributable to the additional finance costs for the new 3-year bank loan drawn down in July 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and Treasury Management

The Group continued to maintain a strong financial position as at 31 December 2020 despite a loss recorded during the year. Total equity stood at HK$5,298 million (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$93 million as at 31 December 2020 (2019: HK$352 million).

The Group had unrestricted bank and cash balances of HK$3,335 million (2019: HK$1,185 million). About 21% of the unrestricted bank and cash balances (approximately HK$693 million) were maintained in overseas subsidiaries for their daily operations. Unrestricted bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, Renminbi, US dollars and New Taiwan dollars.

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

As at 31 December 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$474 million (2019: HK$1,308 million), which were classified under "Bond securities at amortised cost". They were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield-to-maturity of 4.2% per annum (2019: 4.7%) and have ranges of maturity dates with the last maturity date of 23 January 2027. As at 31 December 2020, the investment portfolio is made up by a total of 13 (2019: 26) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 0.8% (31 December 2019: 2.5%) of the total assets of the Group. The interest income recognised during the year from the bond securities at amortised cost amounted to HK$40 million (2019: HK$93 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 year HK$ million**
Property developers/property management companies	340	3.5%	22
Financial institutions (banking and insurance)	112	1.1%	14
Others	22	0.2%	4
	474		40

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

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.

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 and joint and several liquidators of SMI were appointed on 12 May 2020. The Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") decided to cancel the listing of SMI's shares on 8 May 2020 and the listing of SMI's shares has been cancelled with effect from 14 December 2020.

Due to the fact that SMI was 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 was 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 and reduced the carrying amounts to zero at 31 December 2019.

As at 31 December 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 financial statements for the year ended 31 December 2020, the Audit Committee is in agreement with the Auditor on their expression of the audit qualification due to the possible effects on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2019 in the consolidated income statement and the consolidated statement of changes in equity and the related notes disclosures.

The Audit Committee is closely monitoring the latest development of SMI. Despite of uncertainty on the future development of SMI, it is considered unlikely to have modification of the auditor's report in relation to the SMI Bonds in future.

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 and repayment proposal prepared by the financial adviser appointed by CERC, management believed that CERC had both the intention and ability to settle the outstanding balances and provided an impairment loss of HK$26 million up to the year ended 31 December 2019 to reflect the reduction in expected cash inflow from the CERC bonds.

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

Other bonds

For the remaining of the Group's portfolio of fixed income securities carried at amortised cost, management reviews the monthly investment report provided by an external investment bank, to assess if any significant increase in credit risk is identified for the rest of the portfolio. Taking into account the average cumulative issuer-weighted global default rates and average corporate debt recovery rates with credit rating profile similar to each of fixed income securities in our portfolio, the Group provided a ECL provision of HK$88 million (2019: HK$88 million) for the year ended 31 December 2020.

At 31 December 2020, the Group's net current assets amounted to HK$3,834 million (2019: HK$3,265 million), an increase of 17%. The increase in net current assets was due to management's proactive approach towards liquidity management, which resulted in an improving cash balance reserve after disposal of bond securities which was classified under non-current assets in 2019. The current ratio, expressed as the ratio of current assets to current liabilities, was 2.5 at 31 December 2020 (2019: 4.2).

Borrowings at 31 December 2020 totalled HK$3,753 million (2019: HK$2,208 million) which were made up mainly by the TVB Notes and a long-term bank loan. TVB Notes, issued by TVB Finance Limited, are guaranteed by the Company and are listed in Hong Kong. The proceeds from TVB Notes had been deployed to fund the development of the digital new media business and other capital expenditures, and for general corporate purposes. During the year, 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 had accumulated up to US$265 million as at 31 December 2020 (2019: US$259 million). At 31 December 2020, the Group's net TVB Notes balances were reduced to US$235 million (2019: US$241 million). In July 2020, the Group drew down a 3-year unsecured term loan facility from a bank amounting to US$250 million in preparation for redemption of the net TVB Notes in 2021. At 31 December 2020, the Group's gearing ratio, expressed as a ratio of net debt to total equity, was 8.6% (2019: 19.6%).

OTHER ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables (net of impairment loss) amounted to HK$1,096 million (2019: HK$1,189 million), a decrease of 8%, which was mainly due to the decrease in sales as influenced by the COVID-19 pandemic during the year. Trade debtors aged over 5 months as at 31 December 2020 decreased to HK$205 million (2019: HK$239 million). Impairment loss provisions are calculated based on the Group's past history, existing market conditions and forward looking estimates at 31 December 2020.

Other receivables, prepayments and deposits remained at a stable level of HK$538 million (2019: HK$514 million).

Trade and other payables and accruals decreased from HK$650 million to HK$624 million, which was mainly due to decrease in staff bonus accrual for the year ended 31 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

SHARE OPTION SCHEME

The Company and a wholly-owned subsidiary, Big Big e-Commerce Group Limited ("Big Big Group") 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 year, no share options had been granted by the Company under the Share Option Scheme or by Big Big Group under the Subsidiary Share Option Scheme respectively. As a result of the retirement of a former director, 1,000,000 share options under the Share Option Scheme was lapsed during the year.

HUMAN RESOURCES

At the year end, the Group employed a total of 3,644 full-time employees (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 Group.

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 year 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.

DIVIDEND

The Board of Directors did not recommend the payment of a dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 28 April 2021 to Wednesday, 26 May 2021, both dates inclusive, ("Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the 2021 AGM. During the Book Close Period, no transfer of shares will be registered. The Register of Members of the Company will be re-opened on Thursday, 27 May 2021.

In order to be entitled to attend and vote at the 2021 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27 April 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company was in compliance with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout 2020.

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") set out in Appendix 10 of the Listing Rules, as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

All Directors (including the Director resigned during the year) 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 2020.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has four members, namely Dr. William Lo Wing Yan (chairman), Mr. Anthony Lee Hsien Pin, Professor Caroline Wang Chia-Ling and Mr. Felix Fong Wo, the majority of whom are Independent Non-executive Directors of the Company, and is chaired by an Independent Non-executive Director. Most of the members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise.

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group, including a review of the consolidated financial statements for the year ended 31 December 2020, before such statements were presented to the Board for approval.

The Audit Committee has reviewed the Independent Auditor's Report including the qualified opinion expressed therein and concurs with the treatment adopted by the Auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the auditor's report by PricewaterhouseCoopers, the auditor of the Group, regarding the consolidated financial statements of the Group for the year ended 31 December 2020.

"Our Qualified Opinion

In our opinion, except for the possible effects on the comparability of the current year's figures and the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2019 in the consolidated income statement and the 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 12 and 13 to the consolidated financial statements for the year ended 31 December 2020. We have previously qualified our 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. During the year ended 31 December 2019, as further set out in note 12 to the consolidated financial statements for the year ended 31 December 2020, 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 year's figures and the corresponding figures for the year ended 31 December 2019 in the consolidated income statement and the consolidated statement of changes in equity and the related notes disclosures, our opinion on the consolidated financial statements for the year ended 31 December 2020 is therefore qualified.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

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

During the year, the Company purchased US$5,992,000 nominal amount of TVB Notes issued by TVB Finance Limited at the total consideration of US$5,846,000 through the open market and held under its investment portfolio. As at 31 December 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 year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.corporate.tvb.com and the designated issuer website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The Company's 2020 Annual Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in April 2021.

ANNUAL GENERAL MEETING

The 2021 AGM of the Company will be held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 26 May 2021.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 24 March 2021

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

Chairman and Non-executive Director
Thomas HUI To

Vice Chairman and Executive Director
Mark LEE Po On JP, Group Chief Executive Officer

Non-executive Directors
LI Ruigang
Anthony LEE Hsien Pin
CHEN Wen Chi
Kenneth HSU Kin

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