Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2019 ANNUAL RESULTS

RESULTS HIGHLIGHTS

For the year ended 31 December 2019 (the "Year"):

- Revenue decreased from HK$4,477 million to HK$3,649 million, a decline of 18%. Included in Revenue, income from advertisers under Hong Kong TV broadcasting decreased from HK$2,440 million to HK$1,910 million, a decline of 22%. Income from new media, myTV SUPER and Big Big Channel businesses, in aggregate, rose from HK$489 million to HK$571 million, an increase of 17%.
- Total costs decreased from HK$4,062 million to HK$3,698 million, a reduction of 9%.
- A fair value loss of HK$330 million against the SMI Bonds was recognised to reduce its carrying amount to zero.
- Loss attributable to equity holders of the Company amounted to HK$295 million (2018: HK$199 million).
- Adjusted EBITDA was HK$461 million (2018: HK$782 million).
- In the absence of the fair value loss of HK$330 million, the Group would have reported a profit attributable to equity holders of the Company of HK$35 million for the Year.
- The Board has recommended a final dividend of HK$0.20 per share, making a total dividend of HK$0.50 per share for the Year.

BUSINESS HIGHLIGHTS

- The Group operates three media platforms – comprising terrestrial TV broadcasting, OTT service and social media.

- myTV SUPER is the leading OTT service in Hong Kong, and has a total registered user base of 8.3 million, an increase of 13% from a year ago.

- TVB Anywhere, together with subscribers/users from overseas third party online platforms carrying TVB content, has a total registered user base of over 13.7 million.

- Big Big Channel Business continued to grow – income from this segment increased from HK$87 million to HK$129 million, an increase of 47%. This business segment includes social media advertising; events management; e-commerce based on a *show and sell model*; music entertainment; and other short content production and distribution. Big Big Channel engages with a network of followers around the world of over 14.0 million.

- Drama co-production with mainland China's online platforms was temporarily suspended during 2018/19 as a result of an industry-wide regulatory review but has since resumed. The Company had secured and signed co-production contracts for three drama serials for delivery in 2020. Among these three, production of one of the drama serials was completed before the end of 2019, and its related income and costs were recognised in the Year. The Company is actively exploring further co-production opportunities.

OUTLOOK

- Hong Kong's economy has been severely affected by both the social unrest and the coronavirus pandemic. With the serious disruption to China's and the global economy due to the coronavirus lockdown, we expect a highly challenging 2020. However, with the virus outbreak gradually coming under control in China and the disease subsiding one day, China's economy will be on a road to recovery. As Hong Kong's economy is closely linked to China, businesses here are poised to launch their recovery plans and advertising campaigns the moment life in China returns to normality. In the meantime, we will continue to exercise cost control and improve operational efficiency.

- Throughout the trying period of the social unrest and the coronavirus outbreak, we have been able to continue our operation uninterrupted, and at the same time boost our ratings, giving business partners, advertisers and viewers the confidence in TVB. With assured quality and ratings of our programmes, as well as coverage in the Greater Bay Area, TVB is the obvious choice by advertisers seeking to promote their products and brands in Hong Kong and mainland China.

- Our digital platforms – myTV SUPER, TVB Anywhere and Big Big Channel, continue their efforts to increase subscriptions and maximise advertising revenue. The Company has maintained sufficient cash and liquid assets to meet the needs of daily operation, business development and challenges. We remain confident in our long-term future.

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 2019 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 HK$'000**	2018 HK$'000
Revenue	2	**3,648,762**	4,477,306
Cost of sales		**(2,166,686)**	(2,336,635)
Gross profit		**1,482,076**	2,140,671
Other revenues	2	**13,860**	17,477
Interest income	2	**179,971**	255,179
Selling, distribution and transmission costs		**(645,655)**	(757,726)
General and administrative expenses		**(885,392)**	(967,243)
Other gains/(losses), net		**29,842**	(45,257)
Gain on disposal of bond securities at amortised cost	10	**21,297**	–
Net impairment loss on financial assets at amortised cost		**(22,070)**	(232,545)
Fair value loss on financial assets at fair value through proft or loss	11	**(330,015)**	(320,000)
Gain on disposal of a subsidiary		**21,049**	–
Gain on disposal of investment properties		**–**	27,058
Finance costs	4	**(106,951)**	(128,495)
Share of losses of joint ventures		**(58,279)**	(113,968)
Share of profits of associates		**3,328**	809
Loss before income tax	5	**(296,939)**	(124,040)
Income tax credit/(expense)	6	**18,273**	(52,948)
Loss for the year		**(278,666)**	(176,988)
(Loss)/profit attributable to:			
Equity holders of the Company		**(294,925)**	(199,080)
Non-controlling interests		**16,259**	22,092
		(278,666)	(176,988)
Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the year	7	**HK$(0.67)**	HK$(0.45)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(278,666)**	(176,988)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Currency translation differences		
– Group	**(14,117)**	(27,718)
– Joint ventures	**1,195**	848
Share of other comprehensive loss of an associate	**(3,448)**	(8,166)
Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries	**789**	(671)
Reclassification adjustments of exchange differences to profit or loss on liquidation of a joint venture	**(1,943)**	–
	(17,524)	(35,707)
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	**–**	(7,661)
Other comprehensive loss for the year, net of tax	**(17,524)**	(43,368)
Total comprehensive loss for the year	**(296,190)**	(220,356)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(308,953)**	(232,379)
Non-controlling interests	**12,763**	12,023
Total comprehensive loss for the year	**(296,190)**	(220,356)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	**2019** **HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,808,054**	1,811,070
Investment properties		**28,981**	29,367
Land use rights		**45,874**	49,486
Intangible assets		**191,616**	140,160
Interests in joint ventures	9	**708,905**	707,242
Interests in associates		**162,009**	162,129
Financial assets at fair value through other comprehensive income		**39,775**	39,775
Bond securities at amortised cost	10	**1,250,090**	2,241,328
Financial assets at fair value through profit or loss	11	**–**	330,015
Deferred income tax assets		**7,697**	16,060
Prepayments	12	**51,284**	83,982
Total non-current assets		**4,294,285**	5,610,614
Current assets			
Programmes and film rights		**1,112,660**	969,842
Stocks		**38,195**	40,912
Trade and other receivables, prepayments and deposits	12	**1,722,360**	2,289,332
Movie investments		**66,992**	8,118
Interests in joint ventures	9	**42,650**	30,375
Tax recoverable		**7,870**	21,296
Bond securities at amortised cost	10	**125,624**	15,652
Restricted cash		**–**	1,406
Bank deposits maturing after three months		**79,137**	56,928
Cash and cash equivalents		**1,105,611**	1,211,892
Total current assets		**4,301,099**	4,645,753
Total assets		**8,595,384**	10,256,367

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**664,044**	664,044
Other reserves		**132,908**	125,241
Retained earnings		**4,654,654**	5,393,453
		5,451,606	6,182,738
Non-controlling interests		**137,056**	124,293
Total equity		**5,588,662**	6,307,031
LIABILITIES			
Non-current liabilities			
Borrowings	13	**1,865,660**	3,016,923
Lease liabilities		**36,437**	–
Deferred income tax liabilities		**68,592**	141,560
Total non-current liabilities		**1,970,689**	3,158,483
Current liabilities			
Trade and other payables and accruals	14	**650,074**	740,081
Current income tax liabilities		**7,051**	23,390
Borrowings	13	**342,716**	27,382
Lease liabilities		**36,192**	–
Total current liabilities		**1,036,033**	790,853
Total liabilities		**3,006,722**	3,949,336
Total equity and liabilities		**8,595,384**	10,256,367

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 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2019 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 years ended 31 December 2019 and 2018, the auditor's reports were qualified and contained a statement under sections 407(2) and 407(3) of the Companies Ordinance. The auditor's reports did not contain a statement under 406(2) of the Companies Ordinance. 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 and the Group had to change its accounting policies as a result of adopting HKFRS 16 "Leases".

The impact of the adoption of HKFRS 16 from 1 January 2019 resulted in changes in accounting policies. The other standards effective for the financial year ended 31 December 2019 do not have a material impact on the Group.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the year ended 31 December 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening balance as at 1 January 2019 in the statement of financial position.

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

(a) **New and amended standards adopted by the Group** (continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%.

The reconciliation of the operating lease commitments as at 31 December 2018 and the opening balance of lease liability as at 1 January 2019 is as follows:

	HK$'000
Operating lease commitment disclosed as at 31 December 2018	104,237
Discounted using the lessee's incremental borrowing rate as of at the date of initial application	(4,251)
Less: short term leases not recognised as a liability	(16,408)
Less: low value leases not recognised as a liability	(824)
Lease liability recognised as at 1 January 2019	82,754

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

(a) **New and amended standards adopted by the Group** (continued)

(ii) Measurement of lease liabilities (continued)

	HK$'000
Of which are:	
Current lease liabilities	26,821
Non-current lease liabilities	55,933
	82,754

(iii) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised on adoption of HKFRS 16

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

– property, plant and equipment – increased by HK$82,754,000;

– current lease liabilities – increased by HK$26,821,000; and

– non-current lease liabilities – increased by HK$55,933,000.

As at 31 December 2019, there are land use right and leasehold land (classified under property, plant and equipment) of HK$45,874,000 (1 January 2019: HK$49,486,000) and HK$124,469,000 (1 January 2019: HK$133,722,000) respectively. They are regarded as a right-of-use asset under the scope of HKFRS 16 as the Group has the right to control the use of land throughout the entire lease term. No lease liabilities was recognised as the balance was prepaid.

(v) Impact on loss and additions to non-current assets for the year

Increase in loss and increase in additions to non-current assets for the year ended 31 December 2019 as a result of the adoption of HKFRS 16 are HK$1,387,000 and HK$20,015,000 respectively.

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

The Group has not early adopted new or revised standards, amendments to standards and interpretations that have been issued but are not yet effective for the accounting period ending 31 December 2019. The Group is in the process of making an assessment of the likely impact of these new or revised standards, amendments to standards and interpretations to the Group's results and financial position in the period of initial application.

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, movie income, facility rental income and other service fee income.

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

	2019	2018
	HK$'000	HK$'000
Revenue		
Income from advertisers, net of agency deductions	**2,149,505**	2,714,248
Licensing income	**750,963**	842,489
Subscription income	**345,953**	281,962
Co-production income	**105,303**	298,919
Others	**337,843**	385,848
	3,689,567	4,523,466
Less: withholding tax	**(40,805)**	(46,160)
	3,648,762	4,477,306
Interest income	**179,971**	255,179
Other revenues	**13,860**	17,477
	3,842,593	4,749,962

3. Segment information

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

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

The 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 information.

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 business		Programme licensing and distribution	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**22,627**	24,183	**1,024**	1,488	**15,285**	3,153	**251,089**	205,039
Over time	**2,167,551**	2,899,258	**441,043**	400,562	**113,238**	84,121	**488,876**	664,828
External customers	**2,190,178**	2,923,441	**442,067**	402,050	**128,523**	87,274	**739,965**	869,867
Inter-segment	**43,948**	49,721	**24,271**	42,847	**65,256**	15,296	**64,102**	60,588
Total	**2,234,126**	2,973,162	**466,338**	444,897	**193,779**	102,570	**804,067**	930,455
Reportable segment profit before the following items	**(303,636)**	194,321	**39,690**	15,625	**43,755**	(19,437)	**411,997**	414,340
Impairment loss net of gain on bond securities at amortised cost[$]	**(36,703)**	(206,125)	**–**	–	**–**	–	**–**	–
Fair value loss on financial assets at fair value through profit or loss	**(330,015)**	(320,000)	**–**	–	**–**	–	**–**	–
Gain on disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–
Gain on disposal of investment properties	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment loss	**(670,354)**	(331,804)	**39,690**	15,625	**43,755**	(19,437)	**411,997**	414,340
Interest income[#]	**137,088**	198,914	**194**	29	**14**	6	**12,154**	10,407
Finance costs	**(1,861)**	–	**(55)**	–	**(54)**	–	**(80)**	–
Depreciation and amortisation	**(286,137)**	(295,622)	**(83,509)**	(90,970)	**(6,224)**	(5,221)	**(13,976)**	(12,013)
Additions to non-current assets*	**182,507**	249,582	**68,991**	76,148	**9,969**	3,262	**8,682**	8,346

	Overseas pay TV and TVB Anywhere		Other activities		Corporate support		Elimination		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**690**	70	**–**	13,831	**–**	–	**–**	–	**290,715**	247,764
Over time	**143,200**	140,169	**4,139**	40,604	**–**	–	**–**	–	**3,358,047**	4,229,542
External customers	**143,890**	140,239	**4,139**	54,435	**–**	–	**–**	–	**3,648,762**	4,477,306
Inter-segment	**1,200**	–	**676**	7,905	**105,925**	66,555	**(305,378)**	(242,912)	**–**	–
Total	**145,090**	140,239	**4,815**	62,340	**105,925**	66,555	**(305,378)**	(242,912)	**3,648,762**	4,477,306
Reportable segment profit before the following items	**(9,776)**	(15,506)	**(4,399)**	(16,751)	**(151,657)**	(150,373)	**–**	–	**25,974**	422,219
Impairment loss net of gain on bond securities at amortised cost[$]	**–**	–	**–**	–	**–**	–	**–**	–	**(36,703)**	(206,125)
Fair value loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(330,015)**	(320,000)
Gain on disposal of a subsidiary	**–**	–	**21,049**	–	**–**	–	**–**	–	**21,049**	–
Gain on disposal of investment properties	**–**	–	**–**	27,058	**–**	–	**–**	–	**–**	27,058
Reportable segment loss	**(9,776)**	(15,506)	**16,650**	10,307	**(151,657)**	(150,373)	**–**	–	**(319,695)**	(76,848)
Interest income[#]	**72**	56	**513**	1,445	**–**	–	**(47,771)**	(21,645)	**102,264**	189,212
Finance costs	**(15)**	–	**–**	–	**(152,657)**	(150,140)	**47,771**	21,645	**(106,951)**	(128,495)
Depreciation and amortisation	**(7,317)**	(5,872)	**(4,516)**	(5,003)	**(28,458)**	(6,065)	**–**	–	**(430,137)**	(420,766)
Additions to non-current assets*	**1,798**	7,332	**566**	139	**93,546**	57,728	**–**	–	**366,059**	402,537

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

[#] excluding interest income from a joint venture

[$] represents impairment loss net of gain on disposal and from sales transaction on bond securities

3. Segment information (continued)

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

	2019	2018
	HK$'000	HK$'000
Reportable segment loss	**(319,695)**	(76,848)
Interest income from a joint venture	**77,707**	65,967
Share of losses of joint ventures	**(58,279)**	(113,968)
Share of profits of associates	**3,328**	809
Loss before income tax	**(296,939)**	(124,040)

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2019 and 2018.

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

	2019	2018
	HK$'000	HK$'000
Hong Kong	**2,637,063**	3,153,141
Mainland China	**548,529**	732,874
Malaysia and Singapore	**249,046**	371,768
USA and Canada	**116,627**	121,583
Vietnam	**31,119**	25,719
Australia	**12,055**	22,543
Europe	**3,258**	11,165
Other territories	**51,065**	38,513
	3,648,762	4,477,306

4. Finance costs

	2019	2018
	HK$'000	HK$'000
Interest on bank loans and overdraft	**2,914**	989
Interest on Notes	**94,226**	120,280
Amortised amount of transaction costs on Notes	**7,226**	7,226
Interest expense on lease liabilities	**2,585**	–
	106,951	128,495

5. Loss before income tax

The following items have been charged to the loss before income tax during the year:

	2019	2018
	HK$'000	HK$'000
Cost of programmes and film rights	**1,747,000**	1,810,229
Depreciation	**396,083**	406,332
Amortisation of land use rights	**2,978**	3,087
Amortisation of intangible assets	**31,076**	11,347
Operating leases		
– Equipment and transponders	**5,574**	31,857
– Land and buildings	**10,854**	49,127
Employee benefit expense (excluding directors' emoluments)	**1,554,059**	1,695,466

6. Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Current income tax:		
– Hong Kong	**37,314**	28,531
– Overseas	**7,230**	29,299
– Under provisions in prior years	**1,764**	557
Total current income tax expense	**46,308**	58,387
Deferred income tax:		
– Origination and reversal of temporary differences	**(70,112)**	12,928
– Resulting from decrease in tax rate	**–**	(67)
– Under/(over) provisions in prior years	**5,531**	(18,300)
Total deferred income tax credit	**(64,581)**	(5,439)
	(18,273)	52,948

7. Loss per share

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$294,925,000 (2018: HK$199,080,000) and 438,000,000 shares in issue throughout the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no fully diluted loss per share was presented as the assumed exercise of the share options would result in a decrease in loss per share.

8. Dividends

	2019	2018
	HK$'000	HK$'000
Interim dividend paid of HK$0.30 (2018: HK$0.30) per ordinary share	**131,400**	131,400
Proposed final dividend of HK$0.20 (2018: HK$0.70) per ordinary share	**87,600**	306,600
	219,000	438,000

At a meeting held on 25 March 2020, the Directors recommended a final dividend of HK$0.20 per ordinary share. The proposed dividends for 2019 are not reflected as dividend payables in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

9. Interests in joint ventures

	2019	2018
	HK$'000	HK$'000
Non-current		
Investment costs (note)	**205,988**	273,394
Less: accumulated share of losses	**(205,988)**	(153,506)
	–	119,888
Funds advanced to joint ventures	**20,231**	29,755
Loan to a joint venture (note)	**579,566**	522,100
Interest receivable from a joint venture (note)	**127,130**	62,652
	726,927	734,395
Less: share of losses in excess of investment costs	**(18,022)**	(27,153)
	708,905	707,242
Current		
Interest receivable from a joint venture (note)	**42,650**	30,375
	751,555	737,617

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. 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 2019 and 2018, 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 and foreseeable adverse changes in the US drama production business, the Group considered the credit risk of default for ITT was low. No loss allowance on the loan to and interest receivables from ITT with gross carrying amount of HK$749,346,000 as at 31 December 2019 was recognised based on the assessment of 12 months' expected losses under expected credit loss model.

10. Bond securities at amortised cost

	2019	2018
	HK$'000	HK$'000
Non-current		
Bond securities at amortised cost:		
Unlisted	**431,914**	447,936
Listed in Hong Kong	**441,351**	814,280
Listed in other countries	**670,950**	1,185,237
Less: provision for impairment loss on bond securities (notes (b), (c) and (d))	**(294,125)**	(206,125)
	1,250,090	2,241,328
Current		
Bond securities at amortised cost:		
Listed in Hong Kong	**125,624**	15,652
	1,375,714	2,256,980

Notes:

(a) The bond securities portfolio (excluding SMI Holdings Group Limited ("SMI") fixed coupon bonds and China Energy Reserve and Chemicals Group ("CERC") Bonds) carries a weighted average yield to maturity of 4.7% (2018: 5.7%) per annum and the maturity dates are ranging from 13 January 2020 to 1 October 2027. The largest fixed income securities from the same issuer within the portfolio, which is made up by a total of 26 (2018: 43) issuers of fixed income securities, represented approximately 2.5% (2018: 2.7%) of the total assets of the Group as at 31 December 2019. They are denominated in Hong Kong dollars and US dollars. The interest income recognised during the year from the bond securities at amortised cost amounted to HK$93,293,000 (2018: HK$108,636,000).

During the year, the Group disposed/redeemed bond securities amounted to HK$781,431,000 with gain on disposal amounted to HK$21,297,000 (2018: Nil).

10. Bond securities at amortised cost (continued)

Notes: (continued)

(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 Fixed Coupon Bonds using a lifetime expected credit loss model, which estimated the eventual shortfall of cash recoverable from the Fixed Coupon Bonds in 2018. Based on management's impairment assessment, a full impairment charge of the Fixed Coupon Bonds of HK$180,125,000 was recognised for the year ended 31 December 2018.

During the year ended 31 December 2019, SMI has not yet released its audited results for the year ended 31 December 2018 nor the unaudited results for the six months ended 30 June 2019 and has not responded to the list of information requested by the Group's adviser. Subsequent to the year end, SMI has released its 2018 unaudited annual results but no audited results since 2017 are announced up to date. As such, management has adopted key inputs and assumptions based on financial information extracted from the 2017 audited financial statements and unaudited 2018 annual results of SMI Group and other forward looking factors in view of SMI's recent announcements up to the approval date of this set of financial statements and performed an updated impairment assessment for the year ended 31 December 2019. Please refer the details to Note 11. Management considered the full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2019.

(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.

10. Bond securities at amortised cost (continued)

Notes: (continued)

(c) CERC Bonds (continued)

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 planned to divest certain of its assets in order to resolve its 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 expected credit loss ("ECL") model by way of discounting of the expected cashflow to be recovered over an eight-year period for calculation of the net present value of the CERC Bonds, taking into consideration comparable probability of default, recovery rate quoted from international credit-rating agencies after adjustments to specific conditions/financial conditions and current creditworthiness of CERC and forward-looking information. 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. Based on the revised proposal, management continues to believe that CERC has both the intention and ability to settle the outstanding balances under the revised repayment schedule. The Group has performed impairment assessment under the ECL model to estimate the lifetime loss allowance on the investment in CERC Bonds as at 31 December 2019. No further impairment loss was made during the year ended 31 December 2019.

(d) Other bonds

Other than SMI's Fixed Coupon Bonds and CERC Bonds, the carrying amount of the bond securities at amortised cost as at 1 January 2019 was HK$2,189,002,000. During the year, the Group disposed/redeemed bond securities with a total carrying amount of HK$781,431,000. For the unlisted bond securities at amortised cost considered as credit-impaired as at 31 December 2019 as a result of default events pursuant to the bond agreements, a lifetime ECL loss allowance has been assessed. Management has engaged an independent professional valuer to perform an analysis of the recovery rate of the credit-impaired bond securities by adopting its independently selected parameters which contain credit rating profile similar to such bond securities. With reference to the assessment performed by the external valuer, a lifetime ECL provision on such credit-impaired bond securities of HK$88 million has been recognised during the year. As at 31 December 2019, the net carrying amount of other securities at amortised costs after provision for impairment loss was HK$1,308,246,000.

11. Financial assets at fair value through profit or loss

	2019 HK$'000	2018 HK$'000
At 1 January	**330,015**	–
Subscription of convertible bonds	**–**	651,509
Change in fair value	**(330,015)**	(320,000)
Exchange differences	**–**	(1,494)
At 31 December	**–**	330,015

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 2019.

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 in respect of the debt and equity conversion features, together with the Collateral pledged against the Convertible Bonds. As a result of the assessment performed on the Fixed Coupon Bonds as described in Note 10 and the suspension of trading of SMI's shares which triggered an event of default for Convertible Bonds, management considered the debt and equity conversion features of the Convertible Bonds would have a minimal value. Therefore, management has determined to perform a fair value assessment on the Collateral. Management has engaged an independent firm of professionally qualified valuers to perform a valuation of the Chengdu Runyun group using the discounted cash flow model under the income approach. Based on the fair value assessment, the Group recognised a fair value loss of HK$320,000,000 on the Convertible Bonds for the year ended 31 December 2018.

11. Financial assets at fair value through profit or loss (continued)

During the year ended 31 December 2019, as announced by the Company on 14 May 2019, it was discovered through searches in the PRC that SMI International appeared to have pledged part or all of its 41.34% equity interest in Chengdu Runyun to 浙江中泰創展企業管理有限公司 in August 2018 for a borrowing amounted to RMB500,000,000 ("SMI International's Pledge"); and 深圳星美聖典文化傳媒集團有限公司, which holds another 43% equity interest in Chengdu Runyun, appeared to have pledged part or all of its equity interest in Chengdu Runyun to 上海東祺投資管理有限公司 for a borrowing amounted to RMB648,000,000 in June 2018 (together the "PRC Share Pledges"). The alleged PRC Share Pledges were made without the knowledge or consent of the Company and SMI International's Pledge may constitute a breach of the Share Charge. Upon request by the legal adviser of the Company, SMI has confirmed the SMI International's Pledge but failed to provide information in respect of the alleged PRC Share Pledges and the sum secured by the alleged PRC Share Pledges.

It was noted that the PRC Share Pledges may negatively impact the value of the security held by the Company. Pursuant to the PRC legal advice obtained by the Company's legal adviser, the PRC Share Pledges are legal and valid. In addition, the financial adviser of the Company discovered in certain public searches which revealed that at least 18 direct subsidiaries of Chengdu Runyun might have pledged their shares to third parties for financing purposes.

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.

The recent outbreak of coronavirus ("COVID-19") has halted operation of cinemas across mainland China, including the cinemas operated by SMI's subsidiary companies according to an update in the announcement made by SMI dated 5 February 2020. Due to the large scale impact of this outbreak and its anticipated impact on the economy, the Company takes a negative view on the ability of SMI to return to normal level of operations, even when the spread of coronavirus can be contained, and this event has created a very significant adverse impact on the prospect of any economic recovery of the SMI Bonds.

Having reviewed and discussed the matter with the advisers, and based on the developments so far as stated above, management considered the Company would retrieve the highest value through liquidation of SMI Group.

11. **Financial assets at fair value through profit or loss** (continued)

The recoverable amount of the Convertible Bonds as at 31 December 2019 is determined based on a recovery analysis on the underlying assets and liabilities of SMI Group under liquidation basis, with reference to the valuation performed by an independent firm of professionally qualified valuers. Due to the fact that SMI is under liquidation petition from its creditors, and also given the current market condition in its main operating businesses in mainland China, in addition to the deteriorated financial performance in past year, the valuer advised the basis of valuation be changed to a waterfall analysis under liquidation basis during the year, which assumes the going concern principal is no longer valid for SMI. Estimated borrowings and operating liabilities of SMI Group based on available information were also incorporated into the model to arrive at the recoverable amount. Based on the assessment of SMI's recoverable amount by the valuer, the management is of the view that any recovery of the remaining carrying value of the SMI Bonds through the winding up petition of SMI, is not likely. As such, the 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.

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

	2019	2018
	HK$'000	HK$'000
Non-current		
Prepayments related to capital expenditure	**51,284**	83,982
Current		
Trade receivables from:		
Associates	**693**	1,703
Third parties (note)	**1,239,994**	1,895,348
	1,240,687	1,897,051
Less: provision for impairment loss on receivables from:		
Associates	**–**	(1,458)
Third parties	**(51,750)**	(183,363)
	1,188,937	1,712,230
Other receivables, prepayments and deposits	**514,201**	563,469
Contract acquisition and fulfilment costs	**19,222**	13,633
	1,722,360	2,289,332
	1,773,644	2,373,314

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

Note:

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

At 31 December 2019, the ageing of trade receivables, net of provision for impairment based on invoice date including trading balances due from associates was as follows:

	2019 HK$'000	2018 HK$'000
Current	**529,521**	503,776
1-2 months	**208,274**	362,111
2-3 months	**82,288**	193,437
3-4 months	**79,019**	142,955
4-5 months	**50,517**	106,108
Over 5 months	**239,318**	403,843
	1,188,937	1,712,230

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

	2019 HK$'000	2018 HK$'000
At 1 January	**184,821**	173,068
Restated through opening retained earnings under HKFRS 9	**–**	12,397
Provision for impairment loss – third parties	**1,619**	27,458
Reversal of provision for impairment loss – third parties	**(67,549)**	(1,038)
Receivables written off as uncollectible	**(65,761)**	(24,336)
Exchange differences	**(1,380)**	(2,728)
At 31 December	**51,750**	184,821

13. Borrowings

	2019	2018
	HK$'000	HK$'000
Non-current		
Notes, unsecured (note)	**1,865,660**	3,016,923
Current		
Short-term bank borrowings/bank overdraft	**342,716**	27,382
	2,208,376	3,044,305

Note:

On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("Notes"). Up to 31 December 2019, the Company purchased US$258,828,000 (2018: US$112,210,000) in aggregate nominal amount of the Notes issued by TVB Finance Limited.

14. Trade and other payables and accruals

	2019	2018
	HK$'000	HK$'000
Trade payables to:		
Associates	**–**	9,087
Third parties	**83,231**	103,215
	83,231	112,302
Contract liabilities	**188,611**	158,663
Provision for employee benefits and other expenses	**97,333**	143,633
Accruals and other payables	**280,899**	325,483
	650,074	740,081

At 31 December 2019, the ageing of trade payables based on invoice date including trading balances due to associates was as follows:

	2019	2018
	HK$'000	HK$'000
Current	**58,869**	81,501
1-2 months	**17,124**	22,847
2-3 months	**2,729**	4,039
3-4 months	**1,910**	965
4-5 months	**1,464**	85
Over 5 months	**1,135**	2,865
	83,231	112,302

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation, including the presentation of impairment loss/(reversal of impairment loss) on trade receivables and bond securities at amortised cost in a single line as net impairment loss on financial assets at amortised cost in the consolidated income statement. These reclassifications have no impact on the Group's total equity as at 31 December 2019 and 2018, or on the Group's loss for the years ended 31 December 2019 and 2018.

16. Event subsequent to the year end

The outbreak of COVID-19 ("COVID-19 outbreak") in early 2020 has affected the Group's business segment adversely. The Group has closely monitored on the development of the COVID-19 outbreak and taken a number of cost control measures to mitigate the impact of this challenging situation. The Group will pay close attention to the change of situation and evaluate its impact on the financial position and operating results of the Group.

As at the date of this financial information, the Group was not aware of any material adverse effects on the financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak.

MESSAGE FROM THE VICE CHAIRMAN

Li Ruigang

On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to present the Company's financial results for the financial year ended 31 December 2019.

Performance and Dividends

2019 was a year full of challenges to the Company. Since the middle of the year, we witnessed an endless stream of social unrest and protests throughout Hong Kong, adversely impacting the local markets and driving the city towards an economic downturn. Our business took a sharp turn during the second half of the year as we are heavily reliant on advertising which weakened along with the broader economy. To maintain our sustainability, management implemented a series of restructuring of our business and manpower resources to streamline operations for efficiency.

The Group's results for 2019 were negatively impacted by two major events which gave rise to a loss attributable to equity holders of HK$295 million. Firstly, the sharp turn in the market during the second half of year had hit our TV broadcasting business hard. The Hong Kong economy contracted 2.8% and 2.9% in the third and fourth quarters respectively, leading to the first annual decline for the full year since 2009. Consequently, advertising revenue in the second half of the year declined considerably. Secondly, SMI Holdings Group ("SMI") was unable to restructure its liabilities which included the SMI Bonds held by the Company in 2019. With SMI's weak financial position and numerous lawsuits which SMI is facing, the chance of recovery of our investment became very remote. These circumstances necessitated a further fair value loss of HK$330 million at the year end, writing down the remaining value of the Company's investment.

Despite the significant loss attributable to equity holders, the Board adheres to the dividend policy in resolving to make a recommendation for a final dividend per share of HK$0.20. Including the interim dividend per share of HK$0.30 paid, it would give a total dividend per share of HK$0.50 for the full year. The Board hopes that the recommendation the final dividend reflects its confidence in the Company's long-term future.

Board Strategies and Execution

Execution of the Board strategies of investing in digital platforms; raising content standard; and developing new markets continued with notable results.

We are now hosting three media platforms that allow existing and new audiences to consume our content in their favorite ways. Thanks to the timely execution by Group CEO Mark Lee in bringing myTV SUPER OTT platform and Big Big Channel social media platform to reality, myTV SUPER is now the top OTT operator in Hong Kong by a substantial lead, and its overseas counterpart TVB Anywhere has begun to emerge as a viable business over the legacy licensing distribution. At the same time, Big Big Channel is emerging as a popular platform for short form video, and is well-positioned for digital marketing business. With all three platforms in place, we can flexibly deploy our high quality content for audience engagement, locally and globally.

We continue to push forward our strategy for raising content standard. TVB is unique in the content world and our programmes continued to command a leading position in the Chinese language content supply. Mark will talk more about the content achievements in his later report. I am delighted to note that we are continuing to secure deals to partner with major online video platforms, including Tencent, iQiyi, Youku, Netflix and many others. This is certainly an encouraging sign that attests to our content's popularity beyond Hong Kong.

During 2019, we have successfully entered into new licensing contracts with key overseas partners in Canada and Singapore, and recently reached an agreement with counterparties in Malaysia and the USA, which will help expedite our global launch plans for TVB Anywhere using OTT.

In mainland China, our key platform partners Tencent and iQiyi have concluded three new programme co-production contracts with us for release in 2020. We are confident that by leveraging our market niche in programme production as a point of strength and differentiation, we have ample opportunities to develop in the massive and steadily growing online market.

Talent Resources

Performing artistes, script writers, producers and executive producers, and production staff form the fundamental resources for our creative works. With the booming and competitive entertainment industry in mainland China, we are facing a continuous battle to maintain the resources we need. To meet the growing production demand, we are sparing no effort to sustain the talent supply. Our many shows, including the annual Miss Hong Kong Pageant, Mr. Hong Kong and the talent singing shows, have been successful in recruiting young artistes. Year-after-year, we run in-house artiste training courses with help from local top-tier performers to nurture and develop talents, as well as offer on-the-job training in television production and in news and information services to many who are eyeing television media as a long-term career. With the sustainability issue in mind, the Board will continue to monitor these challenges, and devote our energy to overcome them.

We must not forget that apart from the creative talent, we are supported by a very large pool of professional crew manning our 24 hours news service. With numerous chaotic scenes of the social unrest still vivid in my mind, I want to add my personal note of encouragement to the reporters and cameramen who had to confront physical violence and threats to personal safety during the riots. We commend them for their professionalism, dedication to the Company and to the public in Hong Kong. The Board, through the Management, will continue to render their fullest support, and will have measures in place to ensure their personal safety.

Retirement and Governance

Dr. Charles Chan, our former chairman and non-executive director, retired from the Board in February 2020, and my fellow directors Dr. Raymond Or and Cheong Shin Keong resigned on 1 January 2020. I would like to give my heartfelt thanks to Charles for his leadership as chairman of the Board over the past five years, and to Raymond and S.K. for their wisdom and diligence. I am also most grateful to the support given to me by my fellow directors who have guided and supported this venture all along despite the challenges. To the new appointees, Belinda Wong and Felix Fong who are highly qualified in their respective fields, I offer my warmest welcome, and look forward to working closely with them.

Outlook

Our businesses in 2020 will be highly challenging due to the impact of a likely prolonged economic downturn caused by the coronavirus pandemic, and the yet unsettled local social unrest. The Board and Management are closely monitoring the development of these challenges.

Despite the near term challenges, the Board and Management remain optimistic in the future development of the Company. Our strong beliefs lie in the Company's proven abilities to innovate and embrace technology; transform its conventional business into new digital businesses; raise content standard; and develop markets in mainland China and beyond. We are particularly excited with the recent Board changes which can infuse new impetus and perspectives in resources and governance. And more importantly, the Company has long been well-supported by its strong and dedicated production workforce which is undoubtedly its most valuable asset and unique in this corner of the world. With its long and deep-rooted position associated with Hong Kong and the global Chinese communities, we believe that the Company has an important role to play in the global media and entertainment industry, and is in a position to deliver increase in shareholders' value in the long term.

Li Ruigang
Vice Chairman

25 March 2020

GROUP CEO'S REPORT

Mark Lee Po On

Financial Performance

Revenue decreased from HK$4,477 million to HK$3,649 million, a decline of 18%. Included in Revenue, income from advertisers under Hong Kong TV broadcasting segment decreased from HK$2,440 million to HK$1,910 million, a decline of 22%. Income from new media, myTV SUPER and Big Big Channel businesses, in aggregate, rose from HK$489 million to HK$571 million, an increase of 17%. Our total costs decreased from HK$4,062 million to HK$3,698 million, a reduction of 9%. A fair value loss of HK$330 million against the SMI Bonds was recognised to reduce its carrying value to zero. For the Year, the Group reported a loss attributable to equity holders of the Company of HK$295 million (2018: HK$199 million). In the absence of the fair value loss of HK$330 million, the Group would have reported a profit attributable to equity holders of the Company of HK$35 million for the Year.

As stated in the Company's announcement dated 13 February 2020, a fair value loss of HK$330 million was proposed in the accounts for the year ended 31 December 2019. During the course of the year, the Board, and particularly the Special Taskforce, had spent substantial amount of time to recover the value of the SMI Bonds. Management had actively sought advice on legal remedies, and at the same time, the possibility of a sale. Post the year-end, it was apparent to the Board that the chance of recovery would be very remote, and hence, an impairment to reduce the remaining carrying value of the SMI Bonds in the amount of HK$330 million was proposed. Following this, our next course of action is to seek orders from the Hong Kong Court to place SMI into liquidation. Upon our petition, the High Court has scheduled a hearing on 1 April 2020 on this matter, however due to the COVID-19 crisis, it is likely that any hearing will be postponed.

Business Review

We entered the year 2019 with caution as the risks of slowing global growth and geopolitical uncertainties were raising. As it turned out, 2019 was an extremely difficult year for Hong Kong and for our industry, as sharp decline in business volumes triggered by the social unrest which began mid-year and was extended into 2020. We saw the immediate impact on our top line: advertising bookings fell in the second half of the year as the market was quick to react to the uncertainties. With the unrest continuing, the market is still far from returning to normality. The recent outbreak of the coronavirus (COVID-19) further curtailed economic recovery and is bringing a slowdown on a global scale.

As manager, one of my key responsibilities is to stablise the operation, and in association with that, to implement cost control during this extreme period. Since the fourth quarter of 2019, we have exercised stringent control over costs, which included both programming and overheads costs. To ensure our business sustainability, we arrived at a hard and tough decision to streamline our workforce in December 2019, reducing headcount in production and supportive services. This had to be carefully executed in conjunction with curbing in production of some programmes for the non-prime time segment, while concentrating in production of programmes for the more yielding prime time hours. Further, this streamlining action was partly driven by the increasing practice of on-location production of programmes, principally the drama serials, giving rise to more studio down time and an excess staffing in supportive services. Overall, this decision affected about 350 employees from field production, supportive services, which represented approximately 10% of the workforce.

We have, over the years, been setting higher production standard to elevate our productions to international level. Our drama is highly regarded in the local and the international markets. In such a difficult environment, I am encouraged to note some ratings achievements from prime time drama which helped boost the morale of the production team. Drama *The Defected* and *Big White Duel* topped the league table with TVRs of 28.8 and 28.6, respectively. Our drama serials have been sought by many online video platforms. Our top rated drama *The Defected* became the first of our drama serials licensed to Netflix. Sitcom *Lo And Behold* has consistently generated high viewership averaging 26.4 TVRs at the prime time 8 o'clock timeslot on Jade. On the variety side, the two and a half-hour *TVB 52nd Anniversary Gala*, which was aired in the evening of 19 November 2019, captured 26.3 TVRs, and was the highest for variety prime time production in 2019. Since relaxation of the rules governing in-programme product placement, we have introduced innovative formats in many productions including sit-com, chat shows, prime time drama serials, which were met with encouraging responses.

We have been running J2 channel targeting the younger generation. J2 now boosts an annual output of over 1,700 hours of self-production, together with 1,500 hours of acquired programmes from around the world. Viewership of J2 prime time programmes have remained steady over recent years at around 1.7 TVRs. Although this represents a fraction of the viewership of flagship Jade channel, we believe that this is an opportunity for us to target the youth and to prepare them for TVB in the future.

We have successfully introduced new clientele to complement the traditional local FMCG clients. Since 2019, an aggressive promotional advertisement campaign has started to capture client's attention for using TVB organised events for promotion. We see this as a growth area for our business, both in Hong Kong and in the nearby Greater Bay Area.

We have adhered to our strategy to transform digitally. TVB now operates three media platforms – terrestrial TV broadcasting, OTT service, and social media. Alongside, our e-commerce arm Big Big Shop, commenced business since 2018 in Hong Kong and, more recently, in mainland China (through co-operation with Taobao). This three-platform strategy has placed us in an advantageous position to capture advertising.

Last year, I reported that myTV SUPER OTT service had turnaround and started to contribute to the Group. With the initial success, we focused on driving subscriptions using a tiered service structure to tap into the premium market. myTV Gold is a new product launched in 2019 which offers a rich archive library including TVB productions of over 75,000 hours, as well as a movie archive, and live sports. There is also a new dedicated horse racing channel (channel 18) to stage full live coverage and commentary. This service is priced competitively at HK$148 per month which is substantially less than most paid services. To date, myTV Gold has a customer base of over 28,000 paying subscribers which is growing steadily. On product enhancement, our technical team has been working on added new features, including "second" screen engagement, and "one-click-buy" to direct viewers from TV screens to online platforms to capture those impulsive purchase desire.

Under myTV SUPER's freemium model, we provide a seven-day viewing window for viewers to catch-up programmes on a VOD platform. Viewership of this seven-day viewing window has been successfully consolidated into the programme TVR so that we are able to provide one single rating parameter which represents a realistic and accurate set of data for advertisers. This consolidation of TV ratings has succeeded in attracting new customers.

Priorities

We have a number of priorities for 2020. We want to focus our energy on mainland China market which is the single largest market for TVB programmes currently and for the future. We have demonstrated our production strength in the past with the successful titles co-produced with Tencent and iQiyi which recorded significant hit rates by mainland China's standard. Economically, these co-production titles will also enable us to go into more expensive and bigger scale production for the international market. *The Defected* which was a crime thriller set in Hong Kong will be a good precedent for such a production.

Our digital platforms are now profit making, after a few years of hard work. myTV SUPER now commands the premier position in Hong Kong and TVB Anywhere is well positioned internationally with its new TVB Anywhere+ service.

I am confident that with our strong international branding for Chinese language content and the performance of our digital platforms to date, we are well-positioned for a brighter future.

Outlook

Hong Kong's economy has been severely affected by both the social unrest and the coronavirus pandemic. With the serious disruption to China's and the global economy due to the coronavirus lockdown, we expect a highly challenging 2020. However, with the virus outbreak gradually coming under control in China and the disease subsiding one day, China's economy will be on a road to recovery. As Hong Kong's economy is closely linked to China, businesses here are poised to launch their recovery plans and advertising campaigns the moment life in China returns to normality. In the meantime, we will continue to exercise cost control and improve operational efficiency.

Throughout the trying period of the social unrest and coronavirus outbreak, we have been able to continue our operation uninterrupted, and at the same time boost our ratings, giving business partners, advertisers and viewers the confidence in TVB. With assured quality and ratings of our programmes, as well as coverage in the Greater Bay Area, TVB is the obvious choice by advertisers seeking to promote their products and brands in Hong Kong and mainland China.

Our digital platforms, including myTV SUPER, TVB Anywhere and Big Big Channel continue their efforts to increase subscriptions and maximise advertising revenue. The Company has maintained sufficient cash and liquid assets to meet the needs of daily operation, business development and challenges. We remain confident in our long-term future.

Mark Lee Po On
Group Chief Executive Officer

25 March 2020

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

For the year ended 31 December	2019 HK$ million	2018 HK$ million	Year-on-year change
Segment revenue (external)	**2,190**	2,923	-25%
Inter-segment revenue	**44**	50	-12%
Less: costs	**(2,538)**	(2,779)	-9%
Segment (loss)/profit before non-recurring items	**(304)**	194	Loss-making

This segment includes Hong Kong TV broadcasting business through the five allocated terrestrial TV spectrum and programme co-production business. Hong Kong TV broadcasting continued to be the largest revenue contributor, accounting for 60% of the Group's revenue. For the Year, segment revenue from external customers decreased by 25% year-on-year from HK$2,923 million to HK$2,190 million. Segment costs were lowered by 9% from HK$2,779 million to HK$2,538 million. A segment loss before non-recurring items (including impairment/fair value loss, net of gain on bond securities) of HK$304 million was recorded (2018: a segment profit of HK$194 million).

Advertising revenue

Despite the on-going US-China trade dispute during the first half of 2019, our advertising business managed to stablise with a mild dip in revenue of 1% from 2018. However, the sentiment for further revenue growth was quick to evaporate owing to the market tension and adversity following the widespread anti-government protests and violent clashes in Hong Kong which started in June 2019. Since then, on-going protests have seriously hurt the city's vibrant tourist activities and retail sector on which Hong Kong's economy relies heavily. Private consumption languished as retail sales contracted at a sharp pace. As a result, GDP and retail sales index exhibited notable downturn in the third quarter and further nosedived in the last quarter of the year.

Noting the prevalent domestic and external economic headwinds, advertisers acted prudently by cutting their spending. Our Hong Kong TV advertising business encountered a very sharp turn in the second half of 2019, closing the year with income from advertisers of HK$1,910 million as compared to HK$2,440 million in 2018, representing a decline of 22%. The cutback in TV ad spend during three key traditional selling periods, namely the summer holiday, the mid-autumn festival and the run-up to Christmas had seriously hurt this segment's performance. A number of key spending advertiser categories, including milk powder (infant formula and adult), loans and mortgages, skincare, and retail chains, all recorded double-digit decline.

We endeavoured to locate bright spots to mitigate as much as we can the sharp revenue decline. We were lucky to secure some growth from local property developers as marketing of their new projects continued. Under the Government's initiatives, major insurance companies were heavily marketing financial products such as health insurance policies, annuity premium investment plans, and mandatory provident fund plans. This category managed to show some decent growth, when compared with the year before.

Since relaxation of the product placement rules in mid-2018, our teams have worked extensively to design and execute carefully planned product placements in many programmes, including sitcom (*Lo And Behold*), drama serials and infotainment programmes (*Scoop, Dolce Vita, etc*). As product placements can be creative and build close association with image of the programmes, they were quick to appeal to many of our clients.

To counter the current tough business environment, we began targeting those new industry sectors, such as securities firms, property developers, large conglomerates, and focusing on new clientele from mainland China which was historically a low spending group on our channels. We recruited a number of large Chinese enterprises using specially designed packages associated with the celebration of the 70th anniversary of the People's Republic of China. We will accelerate our efforts in 2020, by allocating more resources to develop our business in the Greater Bay Area where our two terrestrial TV channels, Jade and Pearl, have built a loyal audience base. In view of Hong Kong's strategic role in the overall development of the Greater Bay Area, we see immense potential in working with Hong Kong and cross-border enterprises on promotions.

Terrestrial TV channels

We operate five round-the clock terrestrial TV channels, each with its clear demographic targets. These channels bundle continues to provide a full spectrum of entertainment, news and finance information. Jade, our flagship channel, is the most-watched channel in Hong Kong. J2, a channel targeting the adolescent audience, offers chic and creative genres. TVB News, the most watched news channel in Hong Kong, has widely established as a trusted news source. Pearl provides entertainment programmes and information services in English, together with a Mandarin news service. TVB Finance & Information presents financial markets analyses and insightful stories relating to the markets and topics of general interests.

In 2019, this circumspective channel lineup continued to deliver robust viewership, and reported an 81% audience share[1] against all TV channels during weekday prime time. On average, our five terrestrial TV channels reached[2] out to 5.5 million in-home viewers in Hong Kong every week.

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[1] Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, pay TV channels, and other TV channels capable of being received in Hong Kong, such as satellite and OTT channels. The audience share covers inside homes via television set only. Data source: CSM Media Research

[2] Average reach is the average number of viewers contacted for a specific period. The average reach covers inside homes via television set only between 1800-2400 from Mondays to Sundays across TVB's five terrestrial channels. Data source: CSM Media Research

The average prime time in-home Live ratings[3] of our five terrestrial TV channels and their respective audience share against total TV channels during prime time are as follows:

	2019	
	TVRs	**% of Total TV**
Jade	19.5	66
J2	1.5	6
TVB News	2.1	8
Pearl	0.8	3
TVB Finance & Information	0.6	2

myTV SUPER

For the year ended 31 December	**2019 HK$ million**	2018 HK$ million	Year-on-year change
Segment revenue (external)	**442**	402	10%
Inter-segment revenue	**24**	43	-43%
Less: costs	**(426)**	(429)	-1%
Segment profit	**40**	16	154%

myTV SUPER leads the OTT market in Hong Kong[4]. It is the second most-watched channel, counting all the terrestrial and online TV channels, by consumption hours. Our efforts made in the last three and a half years are beginning to pay off as the business is now enjoying steady growth in users and revenue and is on track to deliver positive results.

myTV SUPER contributed a share of 12% to the Group’s revenue (2018: 9%). Revenue increased by 10% from HK$402 million to HK$442 million. Operating costs had largely stablised. Overall, we are pleased to report that segment profit increased from HK$16 million to HK$40 million, an increase of 154%.

[3] Rating represents the size of the audience expressed as a percentage of the total TV population. For 2019, total TV population comprises 6,546,000 viewers, and, 1 TVR represents 65,460 viewers (1% of the total TV population). Data source: CSM Media Research

[4] Other OTT services in Hong Kong include myTV SUPER, Viu app/Viu TV app, Netflix, Qianxun, HBO Go, NOW E (Box+App), Xiaomi Box, Anbo Box, ATV (Box+APP).

Our OTT service is modelled on a combination of subscription and advertising, leveraging on TVB's robust back-catalog accumulated over the past decades, as well as our programme-making and aggregation competence. With the market uncertainty, our strategy in 2019 was to grow subscription revenue, by capitalising on popularity of the myTV SUPER brand which we heavily marketed on TVB's channels.

Ad sales gave an impressive 26% year-on-year growth in the first half of 2019, which we believed was driven by a combination of an increasing general acceptance of digital marketing and our unique market position; stronger data analytics (provided by myTV SUPER's Data Management Platform ("DMP")); and the convenience of online Ad Booking Manager introduced since late 2018. However, ad sales lost its growth momentum since June 2019 upon start of the social unrest in Hong Kong. This market environment had led to cancellations and deferral of ad bookings. Overall, advertising revenue declined by 7% from $190 million to HK$176 million in 2019, whilst subscription revenue which increased 28%, from HK$204 million to HK$262 million.

We launched myTV Gold, a premium service in April 2019, alongside the existing tiered services comprising of free, paid, and supreme packages. The supreme package will be gradually phased out to give way to myTV Gold for a clearer product differentiation. myTV Gold is priced at a competitive monthly subscription of HK$148 or an annual subscription of HK$1,776. We are mindful of how price sensitive subscribers can be as they are used to enjoy our programmes for free, but otherwise, are willing to pay a reasonable fee for premium content and digital convenience. We hope that the carefully chosen price will set the ground for future growth. To date, my TV Gold has a customer base of over 28,000 paying subscribers which is growing steadily. On the content, we introduced a horse racing channel (myTV SUPER Channel 18) to feature in-depth live coverage of races with commentary and analysis. Channel 18 was part of the paid pack upon launch, but we have now included it under myTV Gold to further drive subscription.

Our basic pack service is priced at HK$980 per set-top box ("STB") (previously HK$780) which included a STB and one year's viewing. In December 2019, we raised the annual subscription upon renewal from HK$576 to HK$696, an increase of 21%. Together with myTV Gold which is priced at HK$1,776 per year, we expect this pricing structure to set our future ARPU growth.

Up to 15 March 2020, our OTT registered user base has further increased to 8,320,725, among those, 1,283,562, 5,916,126 and 1,121,037 were generated from STB, mobile devices and the portal, respectively. At this level, we have attained a penetration rate of 51%[5] (2018: 51%) households in Hong Kong with our STB, and 90%[6] (2018: 78%) of TV audience with our mobile app.

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5 Based on total number of TV households of 2,508,000 in 2019. Data source: CSM Media Research.

6 Based on total number of TV audience of 6,546,000 in 2019. Data source: CSM Media Research.

Premium content has further contributed to the growth in subscriber base and content consumption. The total time spent recorded during the last week of 2019 reached 20.8 million hours, equivalent to a weekly consumption of 17.9 hours per unique stream viewer. All-day-all time average rating was 1.89 TVRs, while programmes viewed during prime time on myTV SUPER translated to a rating of 3.17 TVRs for the last week of 2019.

	Last week of 2019	Last week of 2018
Consumption (Hours)		
Weekly time spent	**20.8 million**	20.1 million
Weekly time spent per unique stream viewer	**17.9**	15.9
Rating performance of myTV SUPER (TVRs)		
All-day-all time ratings	**1.89**	1.83
Prime time ratings	**3.17**	3.35

We are now in a more favourable position to compete for digital businesses than a year ago. myTV SUPER service has maintained the top position[7] in consumption with an average daily time spent of 114 minutes from digital audience participating in this survey, surpassing the average consumption on YouTube and Facebook videos[8]. In terms of reach, myTV SUPER ranked third with a reach of 58%[9]. We believe that our leading position amongst digital platforms in Hong Kong will further help our growth.

During the Year, we also expanded our customer base by developing closer working relationships with the enterprise solutions customers of Hong Kong Broadband Network ("HKBN"), where coupons were given out for spending on myTV SUPER digital advertising. This helped myTV SUPER improve customer satisfaction in B2B businesses, as well as customer lifetime value through deeper integration in a customer's business.

During 2019, our development efforts of targeted ads continued:

- We continued to enhance the efficiency of our advertising solutions for clients. These new initiatives included enhancing our digital and data-driven proficiencies through targeting technology, and an increasing emphasis on big data analytics. In 2020, myTV SUPER will continue to enhance our first party data and help to reach out to consumers through our custom proprietary segments. To maximise usage of customer relationship management ("CRM") data, we are pushing offline data online. Advertisers can use audience's data to fuel their marketing campaigns, personalise their messages and acquire new customers, which can help improve return on investment. This would further enhance performance and learn more about audience's demographics, interests, preferences and behaviors that advertisers want to target. With the powerful user database of myTV SUPER's DMP, advertisers can use our data onboarding services to manage, analyse and activate it all together for a holistic understanding of their customers.

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7 Based on Nielsen's 2019 Video Consumption Landscape Survey designed to measure the engagements of video platforms with digital audience ("Nielson 2019 Survey").

8 According to Nielsen 2019 Survey, the time spent on Youtube videos and Facebook videos were 71 minutes and 48 minutes, respectively.

9 According to Nielsen 2019 Survey, the reach of Youtube and Facebook video were 71% and 64%, respectively.

- We are working closely with Google on addressable TV advertising solutions to deliver advertisements meeting the precise profile of individual viewers. With the help of addressable advertising, advertisers can move beyond large-scale traditional TV ad buys to focus on relevance and impact.

- Beyond targeted advertising, we have made progress in encouraging the concurrent use of mobile devices (the "second" screen) while consuming programmes on TVs. Since 2017, we started to develop a remote control app on mobile so that viewers can control myTV SUPER programming on TV sets through the "second" screen. This allows far more flexibility in search capabilities than the hand held control which accompanies the STB. To date, this app offers search capabilities in Chinese and English by titles, names of artistes, genres etc.

- myTV SUPER is becoming an ideal platform to bring viewers to interact with advertisers. A further initiative which we developed was clickable TV ads. One of our goals for 2019 was to pave the way for an eventual T-commerce platform. In the third quarter, we introduced clickable TV ads on myTV SUPER, allowing viewers to connect up with advertisers' e-commerce platforms through the "second" screen. We tested this feature by deploying a clickable ad on screen during a charity programme *Alex Fong's 45km Swim Around HK Charity Challenge*. The result of this test provided a proven conversion booster in bringing up from big screen TV to a transaction platform. So far, we have noted a higher click through rate than traditional linkage provided on a web page, which greatly increases adoption. With this technology, we have successfully marketed this added service to capture those "see-now-buy-now" behavior. As a further stage of development, we plan to extend this service by offering a seamless connection between viewers and advertisers' e-commerce platforms using "one-click-buying".

BIG BIG CHANNEL BUSINESS

For the year ended 31 December	**2019** **HK$ million**	2018 HK$ million	Year-on-year change
Segment revenue (external)	**129**	87	47%
Inter-segment revenue	**65**	15	327%
Less: costs	**(150)**	(121)	23%
Segment profit/(loss)	**44**	(19)	Turnaround

Big Big Channel businesses comprise social media advertising, e-commerce (Big Big Shop), music entertainment (Voice Entertainment Group) and events management. This segment consolidates the business units which monetise, both online and offline, TVB's extensive content creation capability and marketing power. With Big Big Channel together with our terrestrial and OTT platforms, we now offer advertisers a full spectrum of advertising and marketing services.

During the Year, external segment revenue increased by 47% from HK$87 million to HK$129 million, which was mainly fueled by growth in events management, e-commerce and music entertainment businesses. The solid growth in revenue has contributed to the segment's turnaround, achieving a profit of HK$44 million for the Year (2018: a loss of HK$19 million).

Social Media Advertising

We launched social media platform, Big Big Channel ("BBC") in mid-2017, complementing the terrestrial TV platform and the OTT platform. With proliferation of social media, we believe that we can generate short-form videos using our content creation DNA to tailor-make, adapt and extract content from archives. We now engage with a network[10] of BBC followers around the world in excess of 14.0 million[11] (2018: excess of 12.2 million). These fans are young, likely to come from the group already engaging heavily with TVB's self-produced content and artistes.

	As of 31 December 2019	As of 31 December 2018
All online platforms carrying BBC's content		
Total number of followers	**14.0 million**	12.2 million
Number of registered users (BBC platform only)	**3.2 million**	3.1 million

We have been creating videos, which included streaming of highlights from TVB programmes, live events and artiste chats, making-of videos, funny bloopers, behind-the-scene tidbits on BBC app as well as other social media within the network. We are using this expanding follower base as a foundation to monetise our content. Beginning from early 2020, we will be licensing a library of video clips to a new telco partner for inclusion in its own apps as a value-added service to mobile customers in Hong Kong. This collaboration will further amplify our reach and bring us a new stream of income.

During the Year, we also expanded our customer base by developing closer working relationship with the enterprise solutions customers of HKBN, where coupons were given out for spending on BBC digital advertising and online purchase in Big Big Shop. These incentives benefit the targeted customers as it provided a hassle free one-stop solution for their content marketing campaigns.

Big Big Shop

We have been running this e-commerce business since mid-2018 with the aim to sell niche products. Big Big Shop ("BBS") is modelled on the strategy of "Showing on TV, Selling in Big Big Shop" to capture impulsive desire to buy after promotion on our terrestrial TV channels. To achieve this, we integrate stories featuring the products during Jade's prime time programmes. We believe that it is TVB's natural advantage to promote and sell.

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[10] Through Facebook, YouTube, Instagram, Twitter, Tencent Weibo, Sina Weibo, Youku, TouTiao

[11] As of 31 December 2019

During the Year, we extended in programme promotion into many non-drama programmes including *Scoop*, *Homegrown Flavours*, *The Ahistoric Grandpa Cooking Show, Good Cheap Eats, 2019 Fortune Show, Big City Shop, All Things Girl* and *Big Big Bay*, and popular drama serials like *Barrack O' Karma, Wonder Women* to seamlessly integrate products into their storylines.

To overcome the often expensive delivery charges relating to small items, we took a step forward to seek a fulfilment service partner for product delivery. Since June 2019, we have appointed Circle K Convenient Stores (HK) ("Circle K") to provide collection points for goods. At the same time, we have acquired designated product shelves within Circle K stores to display products from BBS. We believe that this can be a win-win arrangement for Circle K and BBS.

During 2019, we expanded our sales territories beyond Hong Kong. We purposely rolled out products for BBS which are associated to our station like Little Miss Hong Kong limited edition set and Little Best Actress kit for sale on BBS and on Taobao, Alibaba's e-commerce platform. Going forward, we will continue to expand our customer base and working with our partners to swiftly act upon business opportunities.

Music Entertainment

The Voice Entertainment Group Limited ("VEG"), a wholly owned subsidiary, engages in artistes' sound recordings music productions, music copyrights management, music publishing, and artistes' management. Working closely with TVB on production of theme songs for drama serials, we have developed a thriving business in music streaming, and for the Year, we are pleased to register steady growth in digital and royalty income.

Over the years, VEG has been driving steady growth in business, delivering many popular music production and an expanding artistes roster. Outside Hong Kong, our sound recordings have made big inroads in mainland China, Malaysia and Singapore, through cooperation with multiple online music platforms.

In August 2019, we staged two concert performances for Hana Kuk which recorded a remarkable 97% box office sales. Feedback and accolades of Kuk's outstanding performances were overwhelming. Her outstanding performances further reassured her position as a predominant singer. Tam Ka Yee, an upcoming singer in our roster, reigned supreme as the top YouTube hit rate artiste of the year with over 8 million views. Her single *Can You Hear* registered a staggering 6 million views, and became Hong Kong's top hit rate YouTube single in 2018 and 2019. In December, leading male artiste Chau Pakho's new song *Free My Love* maintained position as the number one single of the year on KKBOX digital platform up till now over a period of 77 days. This song was featured as the ending love theme for the recent popular TVB drama series *Wonder Women* in which Chau also played a leading role. Chau's successful performance has reinforced his position as a leading performing artiste, in both acting and singing.

As for other rising stars, we boast a roster line-up, including Bella Lam, Joey Thye, Zac Liu, Johnny Ku and Brian Tse, each with their own appealing character and fans base.

Events Management

We are offering events management services to include promotions in physical locations selected by advertisers; talent and stage management resources. Such events management services are often bundled with spot advertisements and other in-programme and online promotions.

We made a promising start for events management business in 2019. We kicked off a number of large scale projects coupled with TV and online promotion and witnessed a significant growth in business during first half of the year. The nature of the events also became more diversified, ranging from promotions such as product launches, sport events and recreational shows to concerts, trade conferences, e-sports and overseas events. However, because of the social unrest from June 2019, many events were postponed or suspended. To cope with these challenges, we are stepping up efforts to develop opportunities in the Greater Bay Area, which is a market with high development potential.

INTERNATIONAL OPERATIONS

Our international businesses comprise programme licensing and distribution, overseas pay TV and TVB Anywhere. On programme licensing, we are transforming our business from limited-reach B2B traditional licensing to wide-open OTT distribution. On TVB Anywhere OTT service, we are stepping up efforts to distribute on a business-to-consumer ("B2C") and a business-to-business-to-consumer ("B2B2C") by way of strategic partnerships with telcos in key markets.

PROGRAMME LICENSING AND DISTRIBUTION

For the year ended 31 December	**2019** **HK$ million**	2018 HK$ million	Year-on-year change
Segment revenue (external)	**740**	870	-15%
Inter-segment revenue	**64**	60	6%
Less: costs	**(392)**	(516)	-24%
Segment profit	**412**	414	-1%

Programme licensing and distribution business comprises mainly the distribution of TVB's programmes outside of Hong Kong through telecast and new media licensing. This segment accounted for 20% of the Group's revenue in 2019. During the Year, revenue decreased by 15% from HK$870 million to HK$740 million. The decrease was mainly attributable to lower licensing income from our two key markets Singapore and Malaysia. Segment profit remained stable due to streamlining of costs.

The overall traditional licensing business was affected by sluggish market economy in our traditional licensing markets (Singapore and Malaysia) and intensifying competition among operators. Nowadays, young viewers are opting for low-cost or even free-of-charge digital platforms offering an overwhelming supply of content, whether authorised or pirated digital source, anytime and anywhere. This proliferation of online content continued to dampen the conventional pay TV model. The resulting lower ARPU and high-churn rates have incited pay TV operators to renew their content supply contracts at lower rates, ultimately hurting TVB as a content provider. Confronting this evolving competitive landscape, we have been trying to maintain our predominant position in these traditional markets, while proactively embarking on new media ventures.

We entered into a new agreement with Singtel Global Private Limited ("SingTel") to distribute our programmes on its pay TV and new media platforms beginning September 2019. This new collaboration with SingTel enables us to provide an additional platform choice to viewers in Singapore beyond our long-standing programme supply arrangements to StarHub Cable Vision Limited ("StarHub"). We now fully cover the pay TV market there, which puts us in a favorable position to broaden audience base, grow subscription and advertising revenue.

Our supplying agreements with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") in Malaysia ended in early 2020. For this market, our emphasis is on differentiating our programme offerings from others in the market, making them more appealing to target audience by increasing the number of local programmes and artiste promotions. Celebrity-anchored programmes produced with this market in mind – *Gents Can Cook*, *Walking With You* and *Maria's Auspicious Menu* were well-received by audience and advertisers. We are in the process of finalising a new three-year programme supply agreement with MEASAT for both pay TV and new media platforms. Both parties have agreed to explore the opportunity of working together on the launch of TVB Anywhere+ app in Malaysia in 2020.

In Vietnam, our three-year programme supply agreement with Saigontourist Cable Television Company Limited provided us with a steady income in 2019. For further development in this market, we foresee the potential of launching VOD service targeting young viewers.

In Canada, our long running programme supply agreement with Fairchild Television Ltd was successfully renewed in January 2019 for a period of three years. Two programmes, namely *Alice in Heart-to-Heart Kitchen* and *Young and Restless – Canada Edition*, were filmed to further cultivate brand loyalty and generate sponsorship income from advertisers.

Online streaming platforms are emerging as major content aggregators. We are pleased to have licensed to Netflix for the first time *The Defected* (30 episodes) which was our highest rated drama serial broadcast on Jade in 2019. We will further explore content licensing arrangements in the world of online streaming.

Mainland China Operations

Mainland China operations mainly comprise programme co-production and content licensing to online video platforms and TV stations. For the Year, the total revenue derived from mainland China decreased by 25% from HK$733 million to HK$549 million[12] mainly due to lower co-production revenue from HK$299 million in 2018 to HK$105 million in 2019.

Drama Co-production

We have been working with major online video platforms on co-production of platform-exclusive drama serials since 2017. Under this co-production model, the Chinese platform agrees to commission TVB to produce a drama serial for a fee, while the PRC and the ex-PRC IP rights will be split between the Chinese platform and TVB, respectively. This co-production model allows us to gain Chinese online viewership and to strengthen our branding. With a track record of robust stream views and online applauses, the value of our productions have increased over the years, giving rise to better pricing of production fees.

The decrease in co-production income reflected the impact of a comprehensive regulatory and business restructuring of the video platforms and the drama production industry in mainland China, which started from the third quarter of 2018 to same quarter of 2019. This restructuring had resulted in significant country-wide reduction in both the quantity of drama and variety productions and the production budgets afforded by online video platforms. As a result, our co-production business was temporarily suspended during that period.

Beginning from the last quarter of 2018, our co-production team had extended marketing communications with a multiple number of platforms and introduced new drama formats and genres to potential clients. As a result, three co-production contracts had been successfully concluded and signed in 2019, namely *Line Walker 3*, *Legal Mavericks 2* and *Armed Reaction 2020*, with commencement of production in the second half of 2019 through to early 2020. These three drama serials are scheduled for concurrent release from the latter half of 2020.

Further to these concluded contracts, we are negotiating additional co-production drama and variety projects with more online video platforms. The target of this round of negotiation is to secure three to four new drama projects which can go into production within 2020.

The phenomenal growth of short-form content and the explosion of various online video formats have promised a new business direction for further co-operations. We are excited by these developments, and as a result, mobilising our teams to develop new projects including content for leading short video platforms.

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[12] See note 3 on geographic analysis

New Media Licensing

New media licensing revenue remained steady at HK$352 million in 2019 (2018: HK$352 million). The rising presence over the past few years of TVB drama and TVB artistes in mainland China have increased the desirability of TVB content there.

With a stable demand in the digital new media sector, online video platforms continued to aggregate platform-exclusive content under licensing arrangements. Similar to last year, TVB supplied a selection of new drama titles to Youku for release in mainland China. Four new drama titles, namely *Our Unwinding Ethos*, *Airport Strikers*, *Of Greed and Ants* and *Forensic IV* were licensed and delivered to Youku under this arrangement in 2019.

Mai Dui Dui, a social media app launched by our China's associate since 2018, has been the chosen platform to closely engage with audience and fans in the Mainland using a wide range of TVB short-form content including such content as live events, artiste chats, behind-the-scenes tidbits, selected dramas and variety programmes. This service has helped strengthen the bond with audience, and boost the popularity of our drama serials on Tencent, iQiyi and Youku platforms.

Guangdong Distribution

Under an arrangement made with the cable network authority in Guangdong in 2004, TVB was entitled to collect a landing rights fee for distribution of Jade and Pearl channels in the province. Programmes from Jade attract substantial viewership from neighbouring cities in the Greater Bay Area. As one of the top three most watched channels in Guangzhou, Foshan, Zhuhai and Jiangmen during weekday prime time, Jade scores an average rating ranged from 1.9 TVRs to 3.8 TVRs[13] in these cities. In Macau, Jade's average weekday prime time TV rating is 15.4 TVRs[14]. During the Year, the issue relating to the collection of overdue fees from Guangdong cable operators was finally settled. To further collaborate with these operators, we will be advocating an advertising model using the two channels to target advertisers in the Greater Bay Area including Hong Kong for cross border promotion and marketing businesses.

OVERSEAS PAY TV AND TVB ANYWHERE

For the year ended 31 December	**2019** **HK$ million**	2018 HK$ million	Year-on-year change
Segment revenue (external)	**144**	140	3%
Inter-segment revenue	**1**	–	N/M
Less: costs	**(155)**	(156)	-1%
Segment loss	**(10)**	(16)	-37%

13 Data source: CSM Media Research

14 Data source: Nielsen Macau Study

This segment comprises revenues from pay TV platform in the US and TVB Anywhere OTT business. Subscriber number has continued to grow since we migrated the legacy pay TV operations to the TVB Anywhere OTT service in major markets like Macau, Singapore, Vietnam and Thailand. For the Year, the segment revenue had increased by 3% from HK$140 million to HK$144 million, while the loss had narrowed from HK$16 million to HK$10 million.

Pay TV Platform

Our operation in the USA generates revenues from programme supply licence fees to conventional pay TV operators, new media platforms and advertising. We have recently renewed our channel and programme supply agreement with DISH Network until March 2022. Under the renewed agreement, we have more flexibility to develop our new media business in this market. Accordingly, while we continue to exploit traditional television on a subscription model, we are expanding our OTT distribution via branded platforms such as Apple TV, Roku and Fire TV. These selected platforms have the advantage of being mobile with comprehensive coverage and thus can effect a completely different performance yield.

TVB Anywhere

Outside Hong Kong, TVB Anywhere becomes our OTT platform. TVB Anywhere OTT service can be accessed through our branded STB and mobile app. The STB service offers over 30 linear Chinese channels and over 30,000 hours of TVB and third party VOD content. This service targets the international markets, and to date, the key user markets include Macau, Australia, UK, Europe, Canada and New Zealand. Mainland China is excluded due to regulatory reasons, and we expect TVB Anywhere service can be officially launched in the USA and Malaysia in 2020 following the relaxation of existing restriction upon contract renewals with respective partners in these markets. TVB Anywhere, together with subscribers/users from overseas third party online platforms carrying TVB content, has a total user base of approximately 13.7 million.

Besides the STB, a brand new app TVB Anywhere+ was launched in April 2019 to replace the old version. This new app provides improved features and functionalities including multi-language offerings (currently six languages), multiple-screen viewing, and global access with a single sign-on. TVB Anywhere+ service is tiered into a paid zone and a free zone. The paid zone offers the complete service, while the free zone offers a limited of VOD drama content so that we can use it to build our future subscriber base.

Certain localised versions of TVB Anywhere service (app and box) are available, currently in Vietnam and Thailand, with the aim to extend marketing beyond the overseas Chinese-speaking audiences to the much larger mainstream audience. To facilitate distribution in these countries, we are partnering with Vietnamobile Telecommunications Joint Stock Company, and M.V. Television (Thailand) Co., Ltd. as distribution partner to offer a bundle of TVB Anywhere+ service together with their respective services to end users. Included in the Thai service are live streaming TVB Drama Channel and dubbed VOD drama programmes into the Thai language.

TVB Anywhere+ are being distributed by all of the major telcos - StarHub, Singtel, M1 Limited and MyRepublic Limited in Singapore. With this comprehensive distribution network, we anticipate a stronger growth in subscriber base in 2020.

Besides TVB Anywhere service through our own branded STB or app, we are using a number of major video online platforms including YouTube and Line TV to carry our branded TVB Anywhere channels and programmes under an ad-supported model. One of the merit of this model is to improve the reach of our service using an established platform to generate advertisements. The video stream views generated from these platforms have to date contributed a significant amount of advertising revenue, and helped promote TVB Anywhere for a comprehensive content offering.

Included in the development plan for 2020 is an updated version of TVB Anywhere STB based on Google's Android TV platform. The new STB will further enhance user experience, with the addition of new features and functionalities. With these comprehensive OTT features, TVB Anywhere+ app can attract more partnerships with mobile and broadband operators and mobile device manufacturers.

COMBATING PIRACY

Illicit Streaming Devices ("ISDs") and their associated apps continue to impact revenue. Although government authorities have attempted finding solutions to combat the problem, it is evident that legislations in many countries are insufficient to tackle the technological development of ISDs. Traditional means of cracking ISDs under domestic copyright or broadcasting laws are typically not effective. Such said, therefore, site blocking is becoming an important tool to combat ISDs problem as it offers a simple and effective method for preventing internet users from accessing illegal contents.

Since mid-2019, TVB adopts a cost-effective approach by working with broadcasting or movie associations in making site blocking applications to courts or administrative authorities in various countries, such as Australia, Malaysia, Indonesia, etc. In Australia, TVB, MPA and other local broadcasters have worked together and successfully blocked a total of 34 infringing websites in 2019. TVB also worked with local TV coalitions and the Asia Video Industry Association ("AVIA") to launch 15 site blocking applications to the Ministry of Domestic Trade and Consumer Affairs against infringing websites and domain names facilitating the operations of ISDs in Malaysia. In Indonesia, TVB is working with AVIA in making site blocking applications to Indonesia government. In Singapore, TVB is working with a local law firm in making court applications to block dozens of domain names of 7 ISDs. It is anticipated that the court proceeding will be completed in the first half of 2020.

To further tackle the challenges of ISDs and streaming websites, TVB has successfully developed a "Landscape System", which enables TVB to take proactive actions (such as takedown, site blocking, etc) against infringing websites and ISDs. Through this "Landscape System", TVB can allocate its anti-piracy resources to priority markets in a more effective and efficient way.

In view of the rapid development of online technologies and the proliferation of using online intermediaries (such as Google Drive, Google Video, Youtube, etc.) by online infringers, TVB would strengthen the liaisons with online intermediaries in order to eliminate the technological avenues used by infringers. It is paramount that different stakeholders such as copyright owners, online intermediaries, online service providers, etc. have to work together in order to combat online piracy.

STRATEGIC INVESTMENTS

Imagine Tiger Television

Imagine Tiger Television ("ITT") is a joint venture entity which TVB and Imagine Entertainment in the US, each owns 50% interest, to finance the production of a slate of TV drama serials for the US and the international markets. In the second half of 2019, ITT released its first two drama production with positive critic and audience reaction. *Wu Tang: An American Saga*, created and written by Wu Tang member The RZA and screenwriter Alex Tse. The series was premiered in September 2019 on US streaming platform Hulu with an overwhelming response and ITT has already received Hulu's order for season 2. *Why Women Kill*, a dark, comedic drama from Marc Cherry, creator of the successful show *Desperate Housewives*, tells the stories of three different decades and the extreme lengths they all go to after a betrayal. *Why Women Kill*, was premiered in August 2019 on CBS All Access, and had a phenomenal first season and secured an order for season 2. With resonant plots and the incredible performance of the cast, the series has become one of CBS platform's most streamed original series in 2019.

ITT's third series, *68 Whiskey*, written by Roberto Benabib chronicles the lies of a diverse group of army medics stationed in Afghanistan was premiered in January 2020 on Paramount Network in the US. The series is off to a strong start, ranking as the most watched cable drama premieres in over a year. ITT has also received a formal pilot order from NBC for *Langdon*, a drama based on Dan Brown's best-selling thriller novel *The Lost Symbol*. *The Lost Symbol* is the third in a series of novels featuring the Robert Langdon character, following *Angels & Demons* and *The Da Vinci Code*. The pilot will be produced in conjunction with CBS TV Studios and Universal Television. With this pilot order, ITT builds on the momentum of first three successful productions and will continue to fill the production pipeline with its active development slate aimed at premium cable and broadcast network buyers.

Shaw Brothers Holdings

Shaw Brothers Holdings (stock code: 953) invests in film, drama and artiste management businesses, which is 29.94% co-owned by China Media Capital ("CMC") and TVB, and among them, TVB has an effective interest of 11.98%. During the Year, Shaw Brothers Holdings released two movies with critical acclaim. Directed by Wong Cho Lam, lunar new year musical comedy *I Love You, You're Perfect, Now Change!* was a localised stellar edition adapted from the long-running Broadway musical of the same title. The second movie *Line Walker 2: Invisible Spy* was released in August 2019. This suspense crime action movie directed by Jazz Boon, starring movie awardee actors Nick Cheung, Louis Koo and Francis Ng, has received rave reviews and filling cinema halls.

Shaw Brothers Holdings' web series *Flying Tiger 2* was premiered on Youku in September 2019. This season 2, which centers on a special action team formed specifically for agents to handle cases beyond police protocol, is a new story unrelated to its prequel. *Flying Tigers 2* featuring a star-studded cast alongside guest appearance of Hollywood actor Lee Pace was filmed in Hong Kong and London. This drama attracted strong viewing momentum with hundred millions of hot searches across all streaming platforms in mainland China.

Shaw Brothers Holdings will continue to grow its media entertainment businesses by focusing on high-quality movie and drama production. In 2020, a new co-production drama *Impossible Three* will be released on Youku's platform. Noting the popularity of *Flying Tiger* series, Shaw Brothers Holdings is working on the next season, titled *Flying Tiger 3*.

FINANCIAL REVIEW

Revenue of the Group decreased from HK$4,477 million to HK$3,649 million, a decrease of 18%. The top line decrease was due to (i) the sharp turn in the markets during the second half of the year as a result of the endless stream of social unrest and protests throughout Hong Kong which weakened the broader economy and hurt our advertising business; and (ii) the lower number of co-production drama serials delivered to customers in 2019 due to an industry-wide regulatory review in mainland China.

Cost of sales decreased from HK$2,337 million to HK$2,167 million, a decrease of 7%. Included in cost of sales were the costs of programmes and film rights which amounted to HK$1,747 million (2018: HK$1,810 million) a decrease of 3%. The decrease in costs of sales was due to the lower cost of programmes associated with drama co-production business, together with the use of more acquired drama titles as opposed to self-production drama for prime time.

Selling, distribution and transmission costs decrease from HK$758 million to HK$646 million, a decrease of 15%. This decrease arose from the full year effect of a reduction in staff costs as a result of a restructuring of the programme licensing and distribution business in 2018, and lower sales commission and other sales related costs.

General and administrative expenses decreased from HK$967 million to HK$885 million, a decrease of 8%. The decrease was attributable to various cost-cutting measures effected in 2018 in anticipation of the unfavourable economic environment in 2019.

Overall, total costs decreased from HK$4,062 million to HK$3,698 million, a decrease of 9%.

Following a review of the Group's investment portfolio, an impairment loss of HK$88 million on bond securities at amortised cost and a fair value loss of HK$330 million to fully write down the remaining carrying value of the SMI Bonds were recognised.

In addition, the Group disposed of a subsidiary which was holding a self-used office premise in Hong Kong. This disposal resulted in a gain of HK$21 million.

During the Year, a combination of reduction in net exchange losses of HK$16 million and losses on movie and drama investments of HK$27 million; and an increase of gain on purchase of TVB Notes and from sales transactions of HK$32 million in aggregate, resulted in the change from other net loss of HK$45 million in 2018 to other net gains of HK$30 million in 2019.

Total interest income totaled HK$180 million (2018: HK$255 million). The decrease in interest income was related to the reduction in the size of the Company's investment portfolio by way of disposals in stages during the Year. As a result, a gain on disposal of bond securities at amortised costs of HK$21 million was recognised during the year (2018: Nil).

Finance costs totalled HK$107 million (2018: HK$128 million) which was mainly related to the net interest costs of the US$500 million 3.625% notes issued by TVB Finance Limited due 2021 ("TVB Notes"). During the Year, the Company purchased TVB Notes through the open market and the Tender Offer by the Group during the Year totaling HK$1,141 million to reduce the net outstanding amount of TVB Notes to HK$1,866 million at 31 December 2019, and consequently reduced the interest costs by HK$26 million. The presentation of finance costs on a net basis in the profit and loss account has been consistently made to mirror the netting off of the amount of TVB Notes issued less the amount held by the Group purchased.

The Group absorbed losses of Imagine Tiger Television ("ITT"), a joint venture, in the amount of HK$59 million (2018: HK$115 million). Since the incorporation of this joint venture in 2017, ITT has been sustaining losses while it builds its TV drama slate. ITT is at the stage of going into a number of production of TV projects for new customers and a number of sequels following their successful first seasons. The losses absorbed of HK$59 million included HK$35 million payable to TVB as interest on the Promissory Notes.

The Group recorded an income tax credit of HK$18 million (2018: tax charge of HK$53 million), mainly arisen from tax losses recognised from Hong Kong TV broadcasting segment during the year. Whilst TVB's main business in Hong Kong was subject to 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$295 million (2018: HK$199 million), giving a basic and diluted loss per share of HK$0.67 (2018: HK$0.45)

Adjusted EBITDA[15] decreased from HK$782 million to HK$461 million, a decrease of 41%.

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[15] Adjusted EBITDA means loss for the Year before financial costs, income tax expense, depreciation and amortisation, share of results of joint ventures/associates, interest income, impairment loss net of gain on disposal/from sales transaction on bond securities 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 investment 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 RESULTS

Segment	Hong Kong TV Broadcasting	myTV SUPER	Big Big Channel 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 event management; music royalties and licensing income	Licensing income from telecast, video and new media distribution	Subscription and advertising revenue	Revenue from movie investments	Group financing services, and new media platforms development and IT support services

Segment revenue from Hong Kong TV broadcasting's external customers decreased from HK$2,923 million to HK$2,190 million, a decrease of 25%. The decline was contributed by the decline in income from advertisers from HK$2,440 million to HK$1,910 million, a decrease of HK$530 million or 22%. As a result of the suspension of co-production business in 2018/19, only one co-production drama serial completed shooting during the Year against three drama serials in 2018 which led to a decrease in revenue of HK$194 million. The associated income and costs of this co-production drama were recognised during the Year. Overall, the costs under this segment reduced from HK$2,779 million to HK$2,538 million, a decrease of HK$241 million or 9%. This segment reported a loss before non-recurring items of HK$304 million (2018: a gain of HK$194 million).

Segment revenue from myTV SUPER's external customers increased from HK$402 million to HK$442 million, an increase of 10%, due to the increase in subscription revenue of HK$58 million in line with the steady growth in the registered users of myTV SUPER service. The cost of sales increased by HK$47 million which was due to the increase in content costs following the launch of myTV Gold in the second quarter of 2019. This segment reported a gain of HK$40 million (2018: HK$16 million).

Segment revenue from Big Big Channel business's external customers increased from HK$87 million to HK$129 million, an increase of 47%, due to improved income from events management, more sales supported work provided to product placements and improved Big Big Shop sales. This segment recorded a gain of HK$44 million (2018: a loss of HK$19 million).

Segment revenue from programme licensing and distribution's external customers decreased from HK$870 million to HK$740 million, a decrease of 15%. The decrease in revenue was mainly attributable to the decreased licence fees from pay TV customers in Singapore and Malaysia, which was partially offset by the collection of landing rights fees previously impaired due to uncertainty with collection. This segment profit remained stable at HK$412 million (2018: HK$414 million).

Segment revenue from overseas pay TV and TVB Anywhere's external customers increased from HK$140 million to HK$144 million, an increase of 3%. The increase was mainly attributable to the growth in subscription contributed by the launch of TVB Anywhere+ app. As a result, this segment loss was narrowed from HK$16 million to HK$10 million during the Year, a decrease of 37%, which supported the improving result of our overseas new media platforms.

Segment revenue from other activities recorded a decrease from HK$54 million to HK$4 million, a decrease of 92%, mainly due to the cessation of the magazine publication business in late 2018. As a result, this segment recorded a loss before non-recurring item of HK$4 million (2018: HK$17 million).

Corporate support segment includes the costs of on 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 loss of this segment of HK$152 million (2018: HK$150 million) mainly represented the finance cost incurred for the TVB Notes.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and Treasury Management

The Group continued to maintain a strong financial position as at 31 December 2019. Total equity stood at HK$5,589 million (2018: HK$6,307 million). There had been no change in the share capital of the Company, with 438,000,000 ordinary shares in issue.

The Group had unrestricted bank and cash balances of HK$1,185 million (2018: HK$1,269 million). Out of total bank deposits and cash balances held by the Group, 35% in Renminbi, 29% in Hong Kong dollars and 28% were in US dollars. About 50% of the unrestricted bank and cash balances (approximately HK$587 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, US dollars, Renminbi 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"). Such fixed income securities are selected from bonds issued by listed companies or state-owned companies, with or without credit ratings, taking into account business sector; coupon rate and yield-to-maturity; currency; and maturity dates. This Investment Portfolio is governed under a set of investment guidelines laid down by the Executive Committee of the Board. The Executive Committee has the approval authority for any 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.

The purpose of this Investment Portfolio is to provide a hedge against the TVB Notes which will mature in October 2021. As a result of the purchase of TVB Notes during the Year from the open market and through the Tender Offer, the net amount of the TVB Notes outstanding had been reduced from HK$3,017 million to HK$1,866 million. Accordingly, disposals of the fixed income securities were made during the Year.

On the balance sheet at 31 December 2019, financial assets at amortised costs (excluding trade and other receivables, prepayments and deposits) comprised (i) an investment portfolio consisting of fixed income securities maintained for treasury management purpose with a total carrying amount of HK$1,376 million (2018: HK$2,257 million), and (ii) a promissory note to a joint venture company, ITT in the amount of US$74.4 million (2018: US$66.7 million) at an interest rate of 12% per annum ("Promissory Note").

As at 31 December 2019, the Company's portfolio of fixed income securities, excluding the fixed income bonds issued by China Energy Reserve & Chemicals ("CERC") and SMI Holdings Group Limited ("SMI"), amounted to HK$1,308 million (2018: HK$2,189 million). These fixed income securities (classified under "Financial assets at amortised cost") were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield-to-maturity of 4.7% per annum (2018: 5.7%) and have maturity dates ranging from 13 January 2020 to 1 October 2027. The investment portfolio is made up by a total of 26 (2018: 43) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 2.5% (2018: 2.7%) of the total assets of the Group as at 31 December 2019. The interest income recognised during the year from the bond securities at amortised cost amounted to HK$93 million (2018: HK$109 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	652	8%	42
Financial institutions (banking and insurance)	486	5%	38
Others	170	2%	13
	1,308		93

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

At 31 December 2019, the Group's net current assets amounted to HK$3,265 million (2018: HK$3,855 million), a decrease of 15%. The decrease in net current assets was due to the decrease in cash as a result of the purchase of TVB Notes which was classified under Non-current liabilities. The current ratio, expressed as the ratio of current assets to current liabilities, was 4.2 at 31 December 2019 (2018: 5.9).

Borrowings at 31 December 2019 totalled HK$2,208 million (2018: HK$3,044 million) which were made up mainly by the TVB Notes and short-term bank loan. During the year, the Company purchased US$147 million nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US$146 million through open market and tender offer launched on 23 October 2019 to form part of the investment portfolio. At 31 December 2019, the gearing ratio, expressed as a ratio of net debt (including lease liabilities after adoption of HKFRS 16) to total equity, was 21.0% (2018: 29.1%).

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 to invest in ITT and for general corporate purposes.

OTHER ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables from third parties amounted to HK$1,240 million (2018: HK$1,895 million), a decrease of 35%, which was mainly due to the decrease in sales especially in late 2019 as influenced by the social unrest in Hong Kong since June 2019. Trade debtors (net of impairment loss) aged over 5 months as at 31 December 2019 decreased to HK$239 million (2018: HK$404 million). Impairment loss provisions are calculated based on the Group's past history, existing market conditions and forward looking estimates at 31 December 2019.

Other receivables, prepayments and deposits remained at a stable level of HK$514 million (2018: HK$563 million).

Trade and other payables and accruals decreased from HK$740 million to HK$650 million, which was mainly due to decrease in staff bonus accrual and advanced payments from co-producers of drama.

SMI BONDS

Background

The Company holds 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 Holdings Group Limited ("SMI"). Trading in the shares of SMI has been suspended on the Stock Exchange since 3 September 2018, and has not resumed as of the date herein.

As announced by the Company on 13 February 2020, the Board of Directors formed the view that the fair value of the Convertible Bonds be reduced to a minimal value with the fair value loss be recorded in the Year. The basis of this fair value loss had been made based on due consideration of the following factors:

1. The trading in the shares of SMI has been suspended on the Stock Exchange since 3 September 2018, and to date, has not been resumed. As at the date of this announcement, SMI still has not been able to meet the resumption conditions imposed by the Stock Exchange. Under Listing Rule 6.01A(1), the Stock Exchange may cancel the listing of shares that have been suspended from trading for a continuous period of 18 months. In the case of SMI, the 18-month period expired on 2 March 2020.

2. The Company's financial adviser for recovery of the amounts invested in the defaulted SMI Bonds had uncovered during searches in mainland China that the shares of at least 18 subsidiaries of成都潤運文化傳播有限公司 (Chengdu Runyun Culture Broadcasting Limited or "Chengdu Runyun") had been pledged to third parties for financial accommodation.

3. Since August 2019, the Company has engaged two additional firms of financial advisers to solicit interests in acquiring the SMI Bonds and has, itself, sought expressions of interest from parties interested in purchasing the SMI Bonds from the Company. No offers to acquire the SMI Bonds have been received by the Company.

4. On 12 August 2019, TVB substituted HSBC as the petitioning creditor in the winding-up petition against SMI (HCCW 108/2019) in the amount of US$112,712,856.94 as at 2 July 2019. A full-day hearing is scheduled to be held on 1 April 2020, but likely to be adjourned due to the closure of the Courts as a consequence of the COVID – 19 epidemic.

5. On 11 September 2019, SMI announced that it had entered into a memorandum of understanding ("MOU") with SMI Culture & Travel Group Holdings Limited ("SMI Culture") in respect of the mutual intention on the possible disposal of all of the equity interest beneficially held by SMI in Chengdu Runyun, and all other cinema interests in mainland China beneficially owned by the SMI Group to SMI Culture. The consideration for the sale shall be paid by SMI Culture to SMI by means of issuance of SMI Culture's shares based on the consideration to be finally determined ("Proposed Acquisition"). SMI International Cinemas Limited ("SMIIC") owns 41.34% of the equity interest in Chengdu Runyun, and SMI together with its subsidiaries have an effective interest of approximately 84.3% in Chengdu Runyun. The MOU does not impose legally binding obligations on the parties with respect to the Proposed Acquisition. On 2 December 2019, SMI further announced that no formal agreement had been entered into between the parties in relation to the Proposed Acquisition. There is no update as to the progress of the Proposed Acquisition.

6. On 29 October 2019, SMI announced that its indirectly wholly-owned subsidiary SMIIC was served with a petition (HCCW 327/2019) dated 23 October 2019 filed by 北京華觀鼎成文化發展有限責任公司 (Beijing Huaguan Dingcheng Culture Development Company Limited) ("Huaguan") for an order that SMIIC be wound up by the High Court. SMIIC holds approximately 41.34% equity interest in Chengdu Runyun, and the shares of SMIIC have been pledged to the Company by Campbell Hall Limited as security for the monies owing under the Convertible Bonds. Although SMI announced on 3 March 2020 that SMIIC had reached settlement with Huaguan and the winding-up petition has been withdrawn, the financial condition of SMIIC is still a great concern.

7. On 1 November 2019, Emperor Securities Limited by way of summons applied to the High Court (HCA 32/2019) for an order to appoint interim receivers over the 63.01% shareholding, which is equivalent to 829,185,517 shares, in SMI Culture, securing the liabilities owing by SMI Investment (HK) Ltd ("SMI HK"), a subsidiary of SMI, to Emperor Securities Limited. Emperor Securities Limited applied for such an order out of the concern that the Proposed Acquisition would dilute the shares that are charged in favour of Emperor Securities Limited from 63.01% to 1.25%. On 10 January 2020, the High Court handed down the judgment granting Emperor Securities Limited's application.

8. On 28 February 2020, SMI made an announcement releasing its unaudited financial results for 2018. SMI purports to have net assets of HK$2,906 million as at 31 December 2018. However, goodwill accounts for HK$5,095 million in calculating the value of the assets as at 31 December 2018. Excluding the goodwill, SMI is demonstrably insolvent on a balance sheet basis, moreover, any assets it holds derives from the underlying assets in the PRC subsidiary companies. There is a doubt whether these assets will be available for SMI to satisfy the claims and debts at the parent level.

9. The outbreak of COVID-19 has halted operation of cinemas across mainland China, including the cinemas operated by SMI's subsidiary companies according to an update in the announcement made by SMI dated 5 February 2020. Due to the large scale impact of this outbreak and its anticipated impact on the economy, the Company takes a negative view on the ability of SMI to return to normal level of operations, even when the spread of coronavirus can be contained, and this event has created a very significant adverse impact on the prospect of any economic recovery of the SMI Bonds.

Having further reviewed the SMI's unaudited 2018 annual financial results and discussed the matter with the Company's advisers, and based on the developments so far as stated above, Management considered that the Company would retrieve the highest value through liquidation of SMI.

The recoverable amount of the Convertible Bonds as at 31 December 2019 is determined based on a recovery analysis on the underlying assets and liabilities of SMI Group under liquidation basis, with reference to a valuation performed by an independent firm of professionally qualified valuers. Due to the fact that SMI is under liquidation petition from its creditors, and also given the current market condition in its main operating businesses in mainland China, in addition to the deteriorated financial performance in past year, the valuer advised the basis of valuation be changed to a waterfall analysis under liquidation basis during the year, which assumes the going concern principal is no longer valid for SMI. Estimated borrowings and operating liabilities of SMI Group based on available information were also incorporated into the model to arrive at the recoverable amount. Based on the assessment of SMI's recoverable amount by the valuer, the Management is of the view that any recovery of the remaining carrying value of the SMI Bonds amounting to HK$330 million through the winding up petition of SMI, is not likely. As such, the Group recognised a further fair value loss of HK$330 million on the Convertible Bonds for the year ended 31 December 2019, reducing the carrying amount to zero at 31 December 2019.

CHINA ENERGY RESERVE & CHEMICALS BONDS ("CERC")

In May 2018, CERC had defaulted the payment of the principal of a bond ("2018 CERC Bond") and as a result, this triggered a cross default for another bond held by the Group ("2019 CERC Bond") due in January 2019. The aggregated nominal amounts of the 2018 CERC Bond and the 2019 CERC Bond amounted to US$12 million. CERC is a state-owned oil and gas trading, logistics and distribution and supply services provider in China. During the year ended 31 December 2018, coupon payments were received from CERC accruing up to 20 December 2018. Based on the review report of the financial condition prepared by the financial adviser appointed by CERC, management believes that CERC has both the intention and ability to settle the outstanding balances. However, as the repayment schedule of CERC Bond would be extended in accordance with the debt restructuring plan of CERC, an impairment loss of HK$26 million was made during the year ended 31 December 2018 to reflect the reduction in expected cash inflow from CERC bonds.

During the Year, CERC released the revised restructuring proposal on 8 November 2019 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. After considering the recovery rate and discounted cashflow model for calculation of the net present value of the CERC Bonds, no further impairment loss was made during the Year.

TVB FINANCE LIMITED

As at 31 December 2019, the Group held US$259 million (2018: US$112 million) in nominal value of US$500 million 3.625% Notes due 2021 issued by TVB Finance Limited. This holding in TVB Notes was presented and netted off against the liabilities of TVB Notes under "Non-current borrowings" on the Consolidated Statement of Financial Position.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

SHARE OPTION SCHEME

The Company and a wholly-owned subsidiary, Big Big Channel Holdings Limited ("Big Big Channel Holdings"), adopted the Share Option Scheme and the Subsidiary Share Option Scheme (collectively "Share Option Scheme") 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. No share options had been granted by Big Big Channel Holdings under the Subsidiary Share Option Scheme respectively.

HUMAN RESOURCES

At the year end, the Group employed a total of 3,785 full-time employees (2018: 4,041), including contract artistes and staff in overseas subsidiaries. This figure excluded directors and freelance workers. For employees in Hong Kong, different pay schemes apply to contract artistes, sales, and non-sales personnel. Contract artistes are paid either per show or per package of shows. Sales personnel are remunerated on commission-based schemes, while non-sales personnel receive monthly salaries. Discretionary bonuses may be awarded as an incentive for better performance. About 2% of the Group's manpower was employed in overseas subsidiaries and paid on scales and systems relevant to the respective localities and legislations.

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

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.

DIVIDENDS

Based on the full year results, the Directors have recommended a final dividend of HK$0.20 per share in cash to its shareholders. Together with the interim dividend of HK$0.30 per share paid in cash on 4 October 2019, this will give a total of HK$0.50 per share for the full year ended 31 December 2019.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Wednesday, 27 May 2020 ("2020 AGM"), the final dividend shall be paid in cash to its shareholders whose names are recorded on the Register of Members of the Company on 5 June 2020. Dividend warrants for the final dividend will be despatched to shareholders on 16 June 2020.

CLOSURE OF REGISTER OF MEMBERS

First book close

The Register of Members of the Company will be closed from Wednesday, 29 April 2020 to Wednesday, 27 May 2020, both dates inclusive, ("First Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the 2020 AGM. During the First Book Close Period, no transfer of shares will be registered.

In order to be entitled to attend and vote at the 2020 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, 28 April 2020.

Second book close

The Register of Members of the Company will be re-opened on Thursday, 28 May 2020 and then will be closed again from Wednesday, 3 June 2020 to Friday, 5 June 2020, both dates inclusive, ("Second Book Close Period") for the purpose of determining shareholders' entitlement to the final dividend. During the Second Book Close Period, no transfer of shares will be registered.

In order to be entitled to the final dividend, 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, 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, 2 June 2020.

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 under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout 2019.

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 Listing 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 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 2019.

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 and discussed risk management and internal controls systems and financial reporting matters, including a review of the annual consolidated financial statements for the year ended 31 December 2019, before such statements were presented to the Board for approval.

The Audit Committee has reviewed the 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 2019 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 2019.

Our qualified opinion

In our opinion, except for the possible effects 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 2019, 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

As set out in our auditor's report dated 20 March 2019 on the Group's consolidated financial statements for the year ended 31 December 2018, we have previously qualified our opinion due to a limitation on the scope of our audit in relation to the classification and carrying values of:

(i) the unsecured fixed coupon bonds measured at amortised cost (the "Fixed Coupon Bonds"); and

(ii) the secured convertible bonds measured at fair value through profit or loss (the "Convertible Bonds") (collectively, the "Bonds") which were issued by SMI Holdings Group Limited ("SMI"),

as we were unable to obtain sufficient appropriate audit evidence on the appropriateness of the classification of the Bonds as non-current assets and whether any adjustments were necessary to the carrying values as at 31 December 2018 in respect of the Fixed Coupon Bonds carried at HK$nil and the Convertible Bonds of HK$330 million and the corresponding impairment charge of HK$180 million and fair value loss of HK$320 million recognised respectively for the year ended 31 December 2018.

As further described in notes 13 and 14 to the consolidated financial statements for the year ended 31 December 2019, based on legal searches conducted by the Group's external legal advisers, recovery efforts including the Company's petition to wind up SMI and a valuation performed by an independent external valuer, management are of the view that any recovery of the remaining carrying values of the Bonds to be minimal. As a result, as at 31 December 2019, the Fixed Coupon Bonds continued to be fully impaired, while the remaining value of the Convertible Bonds was written down to HK$nil on the consolidated statement of financial position such that a fair value loss of HK$330 million was recognised in the consolidated income statement for the year ended 31 December 2019.

Despite the above, given the lack of sufficient appropriate audit evidence to assess or corroborate the appropriateness of the key inputs and key assumptions adopted by management in their previous year's assessments of the valuation of the Bonds, as of the date of this report we were unable to determine whether any adjustments were necessary to the opening balance of the Fixed Coupon Bonds carried at HK$nil and the Convertible Bonds of HK$330 million as at 1 January 2019. Any adjustments to the opening balance of the carrying values of the Bonds as at 1 January 2019 could have a significant consequential effect on the consolidated losses as reported by the Group for the year ended 31 December 2019 and the corresponding figures for the year ended 31 December 2018. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the impairment charge of the Fixed Coupon Bonds of HK$nil and fair value loss of the Convertible Bonds of HK$330 million recognised in the consolidated income statements for the year ended 31 December 2019 were necessary.

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.

Report on Other Matters under Sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the classification and carrying values of the investments in the Fixed Coupon Bonds and Convertible Bonds as at 1 January 2019 and whether any adjustments to the respective impairment charge and fair value loss for the year ended 31 December 2019 were necessary as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

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

During 2019, the Company purchased US$147 million nominal amount of TVB Notes issued by TVB Finance Limited at the total price of US$146 million through open market and Tender Offer launched on 23 October 2019. As at 31 December 2019, US$500 million 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 2019.

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 2019 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 2020.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company will be held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 27 May 2020.

By Order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 25 March 2020

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

Vice Chairman and Non-executive Director

LI Ruigang

Executive Directors

Mark LEE Po On Group Chief Executive Officer
Thomas HUI To

Non-executive Directors

Anthony LEE Hsien Pin
CHEN Wen Chi

Independent Non-executive Directors

Dr. William LO Wing Yan JP
Professor Caroline WANG Chia-Ling
Dr. Allan ZEMAN GBM, GBS, JP
Felix FONG Wo BBS, JP
Belinda WONG Ching Ying