Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 00511

RESTRUCTURING OF TV BROADCASTING AND E-COMMERCE BUSINESSES TO OPTIMIZE VIEWER AND USER EXPERIENCE, ENHANCE OPERATING EFFICIENCY AND BOOST REVENUE POTENTIAL

ANOTHER KEY MILESTONE IN THE COMPANY'S ONGOING TURNAROUND

The board of directors (the "**Board**") of Television Broadcasts Limited (the "**Company**" or "**TVB**", and together with its subsidiaries, the "**Group**") is pleased to announce that in order to enhance viewer and user experience, increase operating efficiency and boost long-term revenue potential, the Group is restructuring its TV Broadcasting and E-commerce businesses in the following manner:

A. TV Broadcasting

At present, the Company operates the following five terrestrial free-to-air TV channels in Hong Kong with a combined 80% market share of viewership[1]:

TV Channels (Current)	**Channel**	**Primetime Ratings[1]**
Jade	81	17.5
J2	82	1.7
TVB News	83	1.9
Pearl	84	0.4
TVB Finance, Sport & Information	85	1.1

[1] Source: CSM Media Research; based on average Monday to Friday prime time (19:00-23:00) TV Rating (TVR) points for the nine-month period ended 30 September 2023

Jade is our flagship and the most popular channel in Hong Kong offering a variety of entertainment and information content in the Cantonese language. J2 offers content and programs aimed at a young audience. TVB News is our 24-hour news channel, while Pearl airs mainly English content. Lastly, TVB Finance, Sports & Information ("**FSI**") channel offers mainly finance-related news and programs, together with a range of sport and informational content.

To boost the value proposition of our TV channels to both viewers and advertisers, and to reallocate our content and production resources into areas of highest impact, we are restructuring our channels and programs through the following actions:

1. **Merge the contents of our J2 and FSI channels to create new "TVB+" channel**

   We will create a new integrated channel to be named "TVB+". In this new channel, we will combine the contents of our current J2 and FSI channels to create a diverse range of young audience content (including dramas and variety shows), sports, and informational programs. Through TVB+, we will provide new and enriched viewing experiences to our audiences by linking up free-to-air TV content with interactive content on our digital platforms such as myTV SUPER and TVB social media accounts. This will be an important step in our transition into a more digital-focused TV broadcasting business. TVB+ will also serve as a testbed for experimental content and formats that are outside the traditional mold of our Jade channel programs. As such, we expect TVB+ will appeal to a larger combined audience than our current J2 and FSI channels, and thus also deliver a stronger value proposition to advertisers.

2. **Re-distribute our finance programs into Jade and TVB+**

   In relation to the finance-related content we currently produce for our FSI channel, including programs relating to the Hong Kong stock and property markets, we will re-allocate most of these programs into our current Jade and our planned TVB+ channels. This, we believe, will boost the viewership and reach of our finance programs, and hence their value proposition to advertisers as well.

As a result of the above restructuring, our overall production of programming hours will come down as we reallocate production resources across our new channel lineup. While we will continue to invest strongly in our prime-time production, we will reduce our production budgets for fringe-hour content and discontinue any programs that fall short of their desired audience or commercial impact. As a result, in addition to the HK$260 million of annual cost savings we announced in March 2023 and are on track to achieve by year-end 2023, we expect to save a further HK$100 million in content cost in 2024. At the same time, we will reduce headcount in this business unit by over 200 staff.

The above restructuring plan requires the approval of the Communications Authority of Hong Kong ("**CA**"). We submitted our application to the CA on 27 November 2023 and will complete the implementation of this plan once their approval has been received. However, within the scope already permitted by our current Domestic Free Television Programme Service license, we will begin adjusting our content and programming in phases starting from December 2023 to gradually transition into a new, four-channel line-up. We expect the result of the application will be known within the first quarter of 2024.

Post-restructuring, we will operate the following four terrestrial free-to-air TV channels in Hong Kong:

TV Channels (Post-restructuring)	Content Type
Jade	Integrated entertainment and information, mainly in Cantonese
TVB+	Integrated entertainment and information with interactive linkage to our digital platforms
TVB News	News and information
Pearl	Integrated entertainment and information, mainly in English

B. E-commerce

To boost operating efficiency, enhance scalability and develop new revenue streams, we are restructuring our e-commerce business in the following manner:

1. Merge Ztore with Neigbuy

We will merge our current Ztore online platform with Neigbuy, with Ztore becoming an integral part of Neigbuy.

Neigbuy stands out from traditional e-commerce platforms with its pre-sale model whereby customers order and pay for a product before Neigbuy purchases the stock. This model not only alleviates inventory pressure and reduces inventory holding risk, but also allows Neigbuy to adapt quickly to changing market dynamics and seize any new opportunities that arise.

We believe that in e-commerce, sustainable growth in the future requires moving away from reliance on a single platform and price-driven sales. Instead, it is crucial to establish a cross-platform, omni-channel industry ecosystem that combines entertainment, information and sales. In this regard, TVB's high-quality content and viewer traffic, when combined with Neigbuy’s flash sales and live-streaming sales models, generates significant synergy and amplifies marketing reach. In other words, we deliver a total "entertainment-to-purchase" experience that is effective in turning viewers into customers.

By merging Ztore with Neigbuy, we will not only achieve a more capital-efficient business model, but also create a combined customer base of 1 million registered customers. In this regard, members of our Ztore loyalty program “Zmile Club” will have their loyalty points credited into Neigbuy, while Neigbuy customers can also enjoy the privileges of our “Zmile Club”, such as gift redemption programs.

As a result of this restructuring exercise, which will be completed by 31 December 2023, the Group expects to eliminate approximately HK$50-60 million in annual fixed costs and overheads from our e-commerce business. The Ztore website and mobile app will cease to operate on 19 December 2023, and approximately 100 staff currently involved in the Ztore business shall also be leaving the Group.

2. **More diversified products and services**

   Regarding product offerings, in addition to our existing categories such as groceries, beauty, fresh produce and frozen food, Neigbuy will introduce higher value luxury goods such as handbags and jewelry. We will also further develop the market for electronic dining vouchers. In this regard, Neigbuy will also integrate more closely with our Mai Dui Dui subsidiary in mainland China to offer Hong Kong goods and services, including dining experiences, to mainland Chinese visitors through our China livestream commerce initiatives. Altogether, we expect these combined efforts to generate substantial growth in gross merchandise value for Neigbuy over the next 3-5 years.

The above restructuring of the Group's TV Broadcasting and E-commerce businesses reflects our ongoing efforts to optimize our service offerings to audiences and customers, while creating a leaner and more cost-efficient organization that can deliver superior returns to shareholders over the longer term.

The Board reminds shareholders and potential investors in the shares of the Company that any financial information disclosed above is unaudited and is based on preliminary internal estimates of the Group. **Shareholders and potential investors are thus advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board
CHAN Shu Hung
Acting Company Secretary

Hong Kong, 27 November 2023

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

Executive Chairman
Thomas HUI To

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

Independent Non-executive Directors
Dr. William LO Wing Yan JP
Dr. Allan ZEMAN GBM, GBS, JP
Felix FONG Wo BBS, JP