TVB 2019 ANNUAL REPORT

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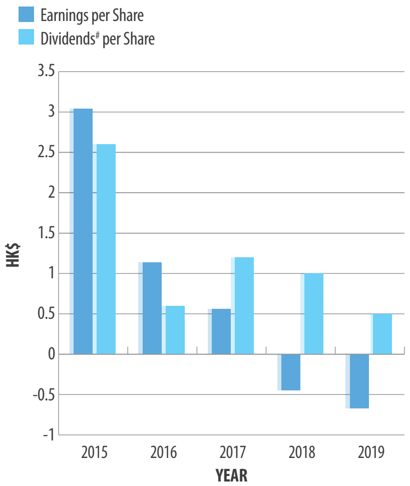
Television Broadcasts Limited
電視廣播有限公司
Stock Code : 00511

FINANCIAL HIGHLIGHTS

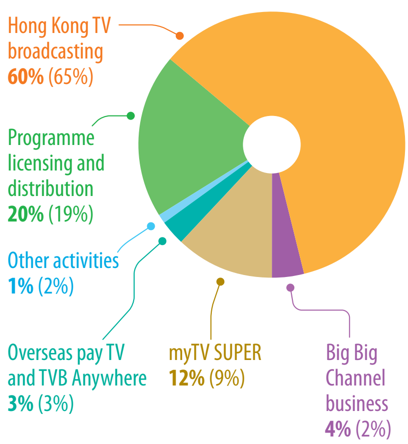
Earnings & Dividends# Per Share



excluding special dividend

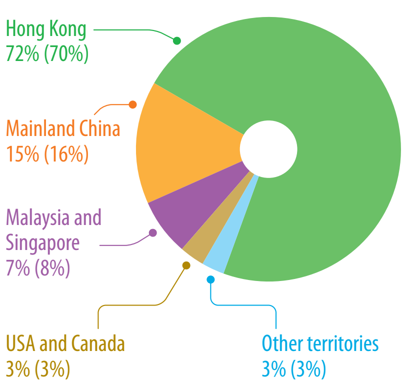
2019 Revenue from External Customers by Operating Segment

% relating to 2018 are shown in brackets



2019 Revenue by Geographical Location

% relating to 2018 are shown in brackets



	2019	2018	Change
Performance			
Loss per share	**HK$(0.67)**	HK$(0.45)	48%
Dividends per share			
- Interim	**HK$0.30**	HK$0.30	
- Final	**HK$0.20**	HK$0.70	
	HK$0.50	HK$1.00	
	HK$'mil	HK$'mil	
Revenue from external customers			
- Hong Kong TV broadcasting	**2,190**	2,923	-25%
- myTV SUPER	**442**	402	10%
- Big Big Channel business	**129**	87	47%
- Programme licensing and distribution	**740**	870	-15%
- Overseas pay TV and TVB Anywhere	**144**	140	3%
- Other activities	**4**	55	-92%
	3,649	4,477	
Segment profit/(loss)*			
- Hong Kong TV broadcasting	**(304)**	194	N/A
- myTV SUPER	**40**	16	154%
- Big Big Channel business	**44**	(19)	N/A
- Programme licensing and distribution	**412**	414	-1%
- Overseas pay TV and TVB Anywhere	**(10)**	(16)	-37%
- Other activities	**(4)**	(17)	-74%
- Corporate support#	**(152)**	(150)	1%
	26	422	-94%
Total expenses^Δ	**3,698**	4,062	-9%
Loss attributable to equity holders	**(295)**	(199)	48%
	31 December 2019 HK$'mil	31 December 2018 HK$'mil	
Total assets	**8,595**	10,256	-16%
Total liabilities	**3,006**	3,949	-24%
Total equity	**5,589**	6,307	-11%
Number of issued shares	**438,000,000**	438,000,000	
Ratios			
Current ratio	**4.2**	5.9	
Gearing	**21.0%**	29.1%	

* excluding non-recurring items

comprised mainly of interest costs of TVB Notes

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

Celebrating its 52nd year of operation, **Television Broadcasts Limited** is the leading terrestrial TV broadcaster headquartered in Hong Kong. TVB is also one of the largest commercial Chinese programme producers in the world with an annual production output of over **22,000** hours of dramas and variety programmes, in addition to documentaries and news reports, and an archive library of over **147,000** hours. Its vertically integrated business model extends from content production, broadcasting to distribution.

Since 2016, TVB has been transformed from a traditional media to a major digital player, operating over-the-top services **myTV SUPER** and **TVB Anywhere**, social media platform **Big Big Channel** and e-commerce platform **Big Big Shop**.

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CORPORATE INFORMATION

CHAIRMAN EMERITUS

The late Sir Run Run SHAW GBM

BOARD OF DIRECTORS

VICE CHAIRMAN

LI Ruigang

EXECUTIVE DIRECTORS

Mark LEE Po On Group Chief Executive Officer
Thomas HUI To

NON-EXECUTIVE DIRECTORS

LI Ruigang
Anthony LEE Hsien Pin
CHEN Wen Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Mark LEE Po On Chairman
LI Ruigang
Thomas HUI To

AUDIT COMMITTEE

Dr. William LO Wing Yan Chairman
Anthony LEE Hsien Pin
Professor Caroline WANG Chia-Ling
Felix FONG Wo

REMUNERATION COMMITTEE

Belinda WONG Ching Ying Chairman
LI Ruigang
Felix FONG Wo

NOMINATION COMMITTEE

Felix FONG Wo Chairman
Thomas HUI To
Anthony LEE Hsien Pin
Dr. William LO Wing Yan
Dr. Allan ZEMAN
Belinda WONG Ching Ying

RISK COMMITTEE

Felix FONG Wo Chairman
Mark LEE Po On
Dr. William LO Wing Yan
Professor Caroline WANG Chia-Ling

INVESTMENT COMMITTEE

Anthony LEE Hsien Pin Chairman
Mark LEE Po On
Thomas HUI To
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

SENIOR MANAGEMENT

Mark LEE Po On Group Chief Executive Officer
Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)
Felix TO Chi Hak Deputy General Manager (Programme and Production)
Adrian MAK Yau Kee Chief Financial Officer and Company Secretary

COMPANY SECRETARY

Adrian MAK Yau Kee
Email: companysecretary@tvb.com.hk
Fax: +852 2358 1337

REGISTERED OFFICE

TVB City, 77 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon, Hong Kong

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS
Freshfields Bruckhaus Deringer
Mayer Brown
Stephenson Harwood

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

SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wan Chai, Hong Kong

STOCK CODES
TVB Ordinary Shares	
The Stock Exchange of Hong Kong:	00511
Reuters:	0511.HK
Bloomberg:	511 HK
TVB ADR Level 1 Programme:	TVBCY
TVB Finance Guaranteed Notes	
The Stock Exchange of Hong Kong:	04577
ISIN:	XS1495978329
Common Code:	149597832

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

INVESTOR RELATIONS
Email: ir@tvb.com.hk
Fax: +852 2358 1337

WEBSITE
www.corporate.tvb.com

CORPORATE CALENDAR

FOR TELEVISION BROADCASTS LIMITED SHAREHOLDERS

FIRST BOOK CLOSE PERIOD
29 April 2020 to 27 May 2020, both dates inclusive

ANNUAL GENERAL MEETING
27 May 2020

EX-DIVIDEND DATE OF 2019 FINAL DIVIDEND
1 June 2020

SECOND BOOK CLOSE PERIOD
3 June 2020 to 5 June 2020, both dates inclusive

PAYMENT OF 2019 FINAL DIVIDEND*
16 June 2020

* Subject to Shareholders' approval at 2020 annual general meeting of the Company

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

INTEREST PAYMENT FOR 2020
1st interest payment: 11 April 2020
2nd interest payment: 11 October 2020

MATURITY DATE
11 October 2021

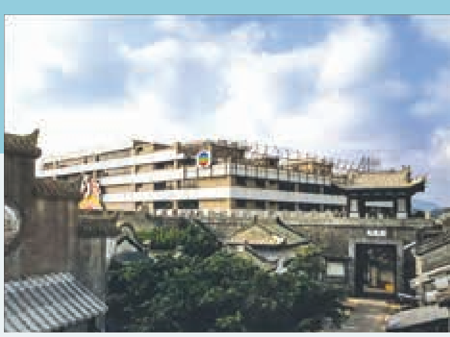
MILESTONES

1967
Obtained a Broadcasting Licence in September and commenced free-to-air broadcasting on 19 November as the first wireless commercial television in Hong Kong. Headquartered on Broadcast Drive, Kowloon

1971
Launched the first colour production Enjoy Yourself Tonight (EYT)

1973
Organised the first Miss Hong Kong Pageant which has since become an iconic annual event

1988
Television Broadcasts (TVB) became the listed parent company of the Group after a group reorganisation. TVB moved to Clearwater Bay



1993
Launched TVBS Channel (TVBS), its first satellite TV service in Taiwan

1994
Obtained approval from Broadcasting Authority to establish a regional satellite television broadcast service for audiences across Asia

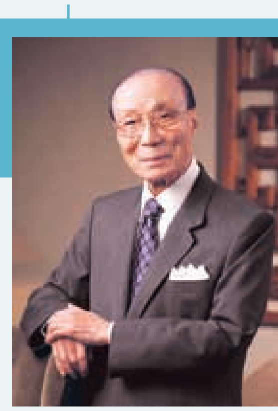
1997
Launched the Company's first website tvb.com carrying information on the station's programmes and artistes

2008
Adopted high definition broadcasting

2011
Young Lion Holdings, acquired a 26% shareholding in TVB from Shaw Brothers (Hong Kong)

2012
Sir Run Run Shaw retired as Chairman and was honoured as Chairman Emeritus

Dr. Norman Leung became Executive Chairman of TVB



2015
TVB exited Taiwan operations by way of two transactions – two respective transactions in January 2015 and March 2016

1976
Began programme licensing, video rental business and operation of cable and satellite television channels in overseas markets

1981
Adopted a programming strategy of broadcasting 2.5 hours of drama serials on Jade during weekday prime time to build viewership momentum

1980
Sir Run Run Shaw, G.B.M., one of the founders of the Group, became Chairman of the Board of Directors

1984
HK-TVB was listed on HKSE

2003
Moved headquarters to TVB City in Tseung Kwan O Industrial Estate with a total building area of 110,000 square metres

2004
Granted Guangdong Landing Rights for distribution of Jade and Pearl channels in the Guangdong Province

2007
Began digital terrestrial television broadcasting in Hong Kong from 31 December and expanded the number of channels from two (Jade and Pearl) to the present five channels

2016
Launched OTT service, myTV SUPER, in Hong Kong and enhanced version of TVB Anywhere in overseas markets

Co-invested with China Media Capital, TVB takes up 11.98% effective interest in Hong Kong listed Shaw Brothers Holdings (stock code: 00953) for movie production and investments

Successfully raised a 5-year US$500 million unrated notes at 3.625%

2017
Launched Big Big Channel, TVB's social media app carrying self-produced short formatted content

Formed a US$100 million partnership with Imagine Entertainment for production of a US drama slate

Celebrated 50th anniversary

2018
Inaugurated Big Big Shop, an e-shop platform, adopting a "showing on TV, selling in Big Big Shop" model to market advertiser-sponsored products

RATINGS HIGHLIGHTS

Scan to discover Top 5 TVB Drama Theme Songs

Scan to discover Top 3 Dramas

Jade Top 5 Dramas TV Ratings

1 The Defected
28.8 TVRs

2 Big White Duel
28.6 TVRs

3 Barrack O'Karma
27.0 TVRs

4 Lo And Behold
26.4 TVRs

5 Wonder Women
25.9 TVRs

Jade Top 5 Variety and Infotainment Programmes TV Ratings

1 TVB 52nd Anniversary Gala
26.3 TVRs

2 The Ahistoric Grandpa Cooking Show (III)
22.3 TVRs

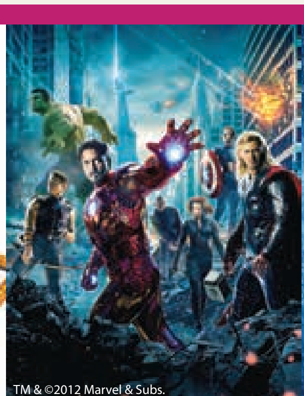
3 A Chef And A Gentleman
21.4 TVRs

4 Miss Hong Kong Pageant 2019
20.9 TVRs

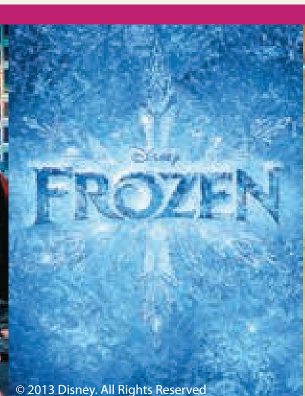
5 Good Cheap Eats (VIII)
20.8 TVRs

Pearl Top 10 English Programmes TV Ratings

1 Toy Story 2
5.8 TVRs



2 Marvel's The Avengers
5.6 TVRs



3 Frozen
5.5 TVRs

4 Toy Story 3
5.5 TVRs

5 Beauty and the Beast
5.5 TVRs

6 Wonder Woman
5.2 TVRs

7 Kong: Skull Island
5.2 TVRs

8 Spider-Man Homecoming
5.2 TVRs

9 Independence Day Resurgence
5.1 TVRs

10 Jurassic World
5.0 TVRs

TV rating (TVR) is defined as the summation of live viewing from spectrum and on myTV SUPER (set-top box, app & web), as well as VOD consumption of such programmes within 7-days after being aired on terrestrial TV. It represents the size of the audience expressed as a percentage of the total TV population. For 2019, the 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 and Nielsen (SiteCensus & Out-of-home Study)


19.11.2019
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ANNIVERSARY

COMMENDATIONS AND AWARDS

2019 New York Festivals World's Best TV & Films

Father's Day Minimovie
Silver World Medal in
Digital Drama category

2019 New York Festivals World's Best TV & Films

Sunday Report: How Popular Are Cyberstars?
Bronze World Medal in
Social Issues category

2019 New York Festivals World's Best TV & Films

News Report with Sign Language
Bronze World Medal in
News Promotion category

2019 New York Festivals World's Best TV & Films

Star Wars: The Force Awaken
Bronze World Medal in Entertainment
Program Promotion category

2019 New York Festivals World's Best TV & Films

big big channel 1st Anniversary All-Star Gala
Bronze World Medal in Best Production
Design/Art Direction category

2019 Asian Academy Creative Awards

Kara Wai in The Defected
Regional Winner (Hong Kong) in
Best Actress in a Leading Role

2019 Asian Academy Creative Awards

Who Wants A Baby?
Regional Winner (Hong Kong) in
Best Comedy Programme category

2019 Asian Academy Creative Awards

Liza's On Line
Regional Winner (Hong Kong) in
Best General Entertainment,
Game or Quiz Programme category

Scan to discover Award Winning Programmes

Promax Global Excellence Awards 2019

Little Miss Hong Kong Kit Set 2018
Silver Award in Premium or Specialty Items category

Promax Global Excellence Awards 2019

The Great Adventurer Wesley
Silver Award in Syndicated Program Campaign category

2019 Asian Academy Creative Awards

Faraway Brides (Sr.2)
Regional Winner (Hong Kong) in Best Lifestyle Programme category

2019 Asian Academy Creative Awards

Dancing For A Reason
Regional Winner (Hong Kong) in Best Music or Dance Programme category

MESSAGE FROM THE VICE CHAIRMAN

LI RUIGANG

“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.”

On behalf of the Board of Directors of Television Broadcasts Limited (“Board”), I would like to present the Group’s results for the financial year ended 31 December 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 favourite 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.

MESSAGE FROM THE VICE CHAIRMAN

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 REPORT

MARK LEE PO ON

“With assured quality and ratings of our performance, 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.”

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.

GROUP CEO REPORT

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 sitcom, 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 (myTV SUPER 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

BUSINESS STRUCTURE

TVB
(Stock Code: 00511)

Segment	**TV Broadcasting (100%)**	**myTV SUPER (100%)**	**Big Big Channel Business (100%)**	**Programme Licensing and Distribution (100%, except TVBC)**	**Overseas Pay TV and TVB Anywhere (100%)**
Business Model	Free-to-air broadcasting of five terrestrial TV channels Co-production of programmes	Operation of myTV SUPER OTT service and website	Operation of online social media platform, Big Big Channel, Big Big Shop, live events and music entertainment	Licensing of TVB produced channels and programmes to TV operators for exhibition on pay TV services and online	Subscription pay TV service and operation of TVB Anywhere OTT service
Product / Brand	Terrestrial channels (Jade, J2, TVB News, Pearl, TVB Finance and Information)	myTV SUPER, www.tvb.com and a range of mobile apps	Big Big Channel, Big Big Shop and Voice Entertainment	TVB programmes and channels (in Cantonese or dubbed soundtracks)	TVB channels bundled with DISH Network offerings in North America (USA) Operation of TVB Anywhere OTT
Market	Hong Kong and mainland China	Hong Kong	Hong Kong and rest of the world	Key markets: Malaysia Singapore mainland China Canada	Global

Associate
Shaw Brothers Holdings
(Stock: 00953)
(11.98%)

Joint Venture
Imagine Tiger Television
(50%)

THE THREE MEDIA PLATFORMS

Terrestrial TV platform

TVB uses the spectrum to deliver five terrestrial TV channels to an average of 5.5 million viewers every week.

OTT platform

More than 8.3 million users are using myTV SUPER service in Hong Kong.

TVB Anywhere covers the overseas territories and has a total registered user base of over 13.7 million.

Social media platform

Big Big Channel uses TVB originated content, short formatted video and clips to generate social interest. It engages with a global network of over 14.0 million followers.

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 five terrestrial TV channels 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.

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:

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

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 from Mondays to Sundays across TVB's five terrestrial channels. Data source: CSM Media Research

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

Jade

19.5 TVRs

Jade prime time (66% of Total TV Ratings)

Jade adheres firmly to its invariable mission to provide audience with up-to-date, informative and entertaining programmes. With scenes of the unstoppable protests appearing nearly every day during the second half of 2019, we felt that our programmes should entertain, infuse positive energy and motivate. By adopting the station's slogan "發放娛樂, 分享快樂" ("Airing fun entertainment and spreading joy and happiness") designed for a series of programmes aired in the last quarter, we hope that we can achieve this purpose.

Dramas

With an unwavering commitment to producing quality content for our audience, TVB continued to invest in appealing stories, production and casts for our prime time dramas. For this Year, Jade prime time dramas kept up good TV ratings and elicited bursts of applause from the audience.

Lo And Behold, the long-running popular sitcom aired at 8:00pm, has been the go-to-television series, delivering daily half-hour episodes of short fun-filled stories. This sitcom continues to charm audience with its light-hearted characters, relatable stories and humorous plots. With an extended cast and popular guest appearances, this sitcom delivered an improved average rating of 26.4 TVRs[4] during 2019 (2018: 25.8 TVRs).

Notable success of this show has brought us more in-programme advertising opportunities by having sponsored products naturally integrated in the programme setting and the storyline. A four-episode Saturday spin-off programme, *PARK YOHO Weekend Express* was tailor-made for a property developer client as a part of their branding campaign. Starting from January 2020, *Lo and Behold* has become a daily show to further cultivate viewership and business opportunities.

Station-produced one-hour drama series, which begin at 8:30pm and 9:30pm on weekdays, have consistently secured the position of Jade channel's prime time blockbusters. In 2019, top five dramas by TV rating were *The Defected, Big White Duel, Barrack O'Karma, Wonder Women* and *Finding Her Voice*. These drama serials received high audience applause at home and abroad, and are in great demand for season 2. At the station's 2019 TV Awards Presentation, these critically acclaimed drama productions had won major prizes, such as Best Drama, Best Actor, Best Actress, Most Popular Male and Female Characters, and Most Popular Theme Song.

The Defected, a blockbuster grand production in collaboration with Tencent, was a crime thriller series revolving around a policeman who become embroiled in a conspiracy plaguing the high-ranking police officials. This thriller was led by a stellar cast including Kara Wai and Philip Keung, as well as Benjamin Yuen. Jammed with intense action sequences, *The Defected* garnered large followings to record an average rating of 28.8 TVRs, with the top episode rated at 33.0 TVRs. With its successful broadcast in Hong Kong and in the mainland, *The Defected* became the first TVB drama to debut on Netflix.

TVB's medical drama series have always been one of the viewers' favourite genres. *Big White Duel*, featuring Roger Kwok, Kenneth Ma, Natalie Tong and Ali Lee, was a long-awaited medical drama set in Hong Kong, focusing on medical reform issues which are relatable and relevant social topics to the mass audience. *Big White Duel* was supported by praises for its realistic surgery scenes, star-studded cast and captivating relationships among the characters. The series recorded an average rating of 28.6 TVRs. Due to its popularity, *Big White Duel* will follow up with a sequel.

[4] Ratings (TVRs) performance quoted are consolidated ratings which is an average rating of a programme summing the live viewing from spectrum, and on myTV SUPER (STB, App, Web) as well as VOD consumption of that programme within seven days period after being aired on terrestrial TV. Data source: CSM Media Research, Nielsen (SiteCensus & Out-of-home Study)

1-2. The Defected | 3. Big White Duel

1. Lo And Behold | 2-3. Barrack O'Karma

Barrack O' Karma portrayed the supernatural journeys of several tenants living in a mysterious old apartment building. The journeys of these tenants were presented in the form of ten mini-stories and each mini-series had an underlying life lesson to tell. Carefully scripted romance stories between the leading roles portrayed by Selena Lee and Joel Chan, which spanned between the characters' present and past lives, made them shine. Thanks to its fast-paced and suspenseful storyline, this supernatural-horror drama attracted strong word-of-mouth and positive online reviews. The unconventional and thought-provoking finale brought in a peak rating of 31.1 TVRs.

Wonder Women was another signature female centric drama genre that audience had long anticipated. With the big comeback of Miriam Yeung , this comedy told the story of a multi-skilled housewife who met a handsome, rich and caring guy played by Chau Pakho, after separation with her unfaithful architect husband portrayed by Raymond Wong. Yeung's role gained much audience's resonance and acclaims. This drama scored an average rating of 25.9 TVRs.

Finding Her Voice, starring veteran actors Chung King Fai, Hugo Ng, Ram Chiang, Joe Tay, Au Siu Wai, Savio Tsang, Willie Wai and Sam Tsang exuded the charm of old Hong Kong. The series talked about seven middle-aged men who were reunited by their former school principal, and together, they rediscovered their passion for life through singing. This heart-warming drama came at a right time to spread joy, positive energy, and words of encouragement. With a nostalgic storyline and expressive performances of the actors, *Finding Her Voice* received an average rating of 25.8 TVRs.

4. Wonder Women | 5. Finding Her Voice

Variety and Infotainment Programmes

Our variety programming team spared no effort in delivering fun-filled entertainment. Along the theme "發放娛樂, 分享快樂" ("Airing fun entertainment and spreading joy and happiness"), a music variety show *HK Our Home Concert* was produced and telecasted in September 2019. Besides staging a star-studded singing performance, this programme unfolded messages to motivate residents of Hong Kong to stay positive and work together to restore social harmony. This theme was further extended to the 52nd Anniversary Gala Show aired in November 2019 which was aptly titled as "珍惜香港發放娛樂 TVB 52年" ("*Cherish Hong Kong, TVB Broadcast Entertainment for 52 Years*"). This annual mega production included a sincere array of singing and dancing performances, making the gala the top-rated variety programme in 2019 with an average rating of 26.3 TVRs.

Self-produced culinary programmes and travelogues featuring likeable hosts continued to attract high viewership during weekday prime time. In the reality show, *A Chef and a Gentleman* which was filmed on locations in Hong Kong, Japan and Malaysia, artiste Lai Lok Yi shared the ups and downs in his acting career with his supportive friends.

By popular demand, viewers' favourite chefs Steve Lee and Maria Cordero returned with new seasons of their signature cooking programmes, *Ahistoric Grandpa Cooking Show (III & IV)* and *Good Cheap Eats (VIII)*, respectively. We took the opportunity to secure interests for advertising sponsorships and product placements in the programmes. High ratings of these programmes also led to increased sales of the promoted products on our own e-commerce platform Big Big Shop.

We have been extensively using *Scoop*, the infotainment programme aired in early prime time, for products promotion. This format has worked well such that we have turned *Scoop* into a daily half hour programme.

We took into the feedback from food lovers on our programmes, as well result we expanded the food-related varieties into *Homegrown Flavours* (III) and *Savoury Taiwan* which discovered all kinds of homegrown flavours, farm-to-table food and revealed a journey of authentic taste. Travelogues *like Big Big Bay (II)* and *Mom On The Run* (I & II), which showcased the latest gourmet food and fun attractions in the Greater Bay Area helped promote holiday packages on Big Big Shop.

Our long-running beauty contest *Miss Hong Kong Pageant* and the annual *TVB Awards Presentation* continued to score high ratings.

Jade's popular programmes are an important source for spin-off short form videos, which we can monetise further on Big Big Channel and various social media sites. Much creativity has been devoted to game shows featuring celebrity anchors to amuse family audiences on Sunday's prime time. In *Do Did Eat (III)*, Carol Dodo Cheng and her comedy duo FAMA fascinated audience with light-hearted jokes and fun travelogue trivia quiz in a game show format. *Liza's On Line*, another popular game show, where a team of hosts led by Liza Wang tested the logical reasoning of guest stars. The amusing spoof scenes extracted from these two shows attracted nearly 19 million stream views on Big Big Channel and other social media sites, extending the peripheral value of the content.

1. Do Did Eat (III) | 2. Good Cheap Eats (VIII)

3. TVB 52nd Anniversary Gala | 4. Liza's On Line | 5. The Ahistoric Grandpa Cooking Show (IV)
6. Miss Hong Kong Pageant 2019

1. All Things Girl | 2. Korea Dispatch | 3. The North Of South America
4. Young And Restless

J2

1.5 TVRs

J2 prime time (6% of Total TV Ratings)

Cultivating the viewership of youth audience is J2's top priority. We deployed compelling content starring J2's featured hosts and key opinion leaders ("KOL") to nurture a group of superfans. *Young And Restless*, an iconic talk show anchored by young rising stars like Luk Ho Ming and Crystal Fung, as well as university student KOLs, has developed more fans and enabled us to introduce in-programme and reversal product placements for advertisers.

Stationed-created chic and experiential travelogue is always the signature genre on J2. During the Year, J2 travelogue KOLs engaged well with audience on virtual exotic journeys. In particular, *The North Of South America* scored a remarkable average rating of 3.4 TVRs. In this return of knapsack series, expert backpacker Chris Leung visited Ecuador and Colombia, where the diverse nature landscapes from Amazon tropical forests to the Galapagos Islands took on viewers an amazing journey along the equatorial line. In travelogue *Orange Fuzz (II)*, Dutch-born hosts CJ Cheung and Chloe Nguyen showed audience the beautiful tulip fields and the modern architecture in Netherlands and how the Dutch can make a difference to the world by adopting eco-friendly changes in their daily lives. Another KOL Krystal Ip guided an in-depth excursion to Busan, Jeju Island and Hengseong in *Korea Dispatch*, where high-ranking cultural, geographical sites like Gamcheon Culture Village, Seongsan Sunrise Peak, Hengseong Korean beef farms became the highlights of the journey.

Taiwan lifestyle programmes such as *Sidewalk Delicacies Taiwan (I & II)* and *Attack Of The Backpacker Girl–Taiwan (I - III)* have gained much popularity. The local hosts discovered many delicious local food and beautiful scenery of the outlying islands for travel lovers.

J2 signature programme *All Things Girl* returned in 2019 on demand of audience and advertisers. In addition to other long-running programmes such as *Organised Dining* and *Own Sweet Home*, J2 also offered a good selection of acquired Asian hit dramas and variety shows.

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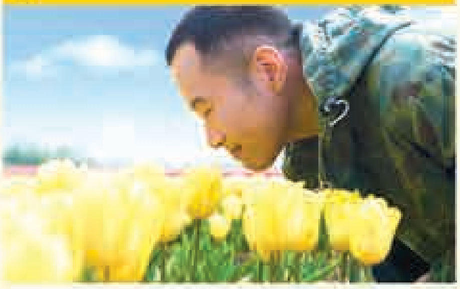


5. Sidewalk Delicacies Taiwan (II) | 6. Orange Fuzz (II)

TVB News Channel

2.1 TVRs

TVB News prime time (8% of Total TV Ratings)

TVB News is committed to providing the most recent, accurate and relevant local, national and international news to audience. In 2019, we further strengthened our position as the most watched 24-hours news channel. Nearly 3.9 million (2018: 3.6 million) in-home TV viewers watched the channel on a weekly basis, which represents approximately 21 times higher than any other TV news channels in Hong Kong. In particular, during the week of National Day holiday in October, the channel posted a new record high of over 4.9 million in-home viewers on a weekly basis, which is equivalent to 75% of total TV population.

TVB News has always been the mass audience's "go-to" place for breaking news and major events. All-day-all time and weekend prime time ratings in the second half of 2019 were respectively 69% and 173% higher than the first half due to extensive coverage of the protests. TVB News App plays a significant role in engaging with on-the-go viewers at home and abroad. During the Year, over 130 million news videos streamed through this designated app, which translated to a 268% year-on-year growth.[5]

TVB News also endeavoured to enrich audience via its enlightening mini programmes. This year marked the 70th anniversary of the founding of the People's Republic of China. To celebrate this important milestone, TVB News presented *New Vision for New Generation*, a programme depicting the future development roadmap of China on various subjects like culture, education, infrastructure, technology from a new generation's standpoint. Other Greater Bay Area themed mini-series, such as *Login to the Greater Bay Area* and *Look at GBA* discussed how the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities in the Guangdong Province can work together to develop an international first-class bay area ideal for living, working and travelling, based on the country's strategic economic reform plan.

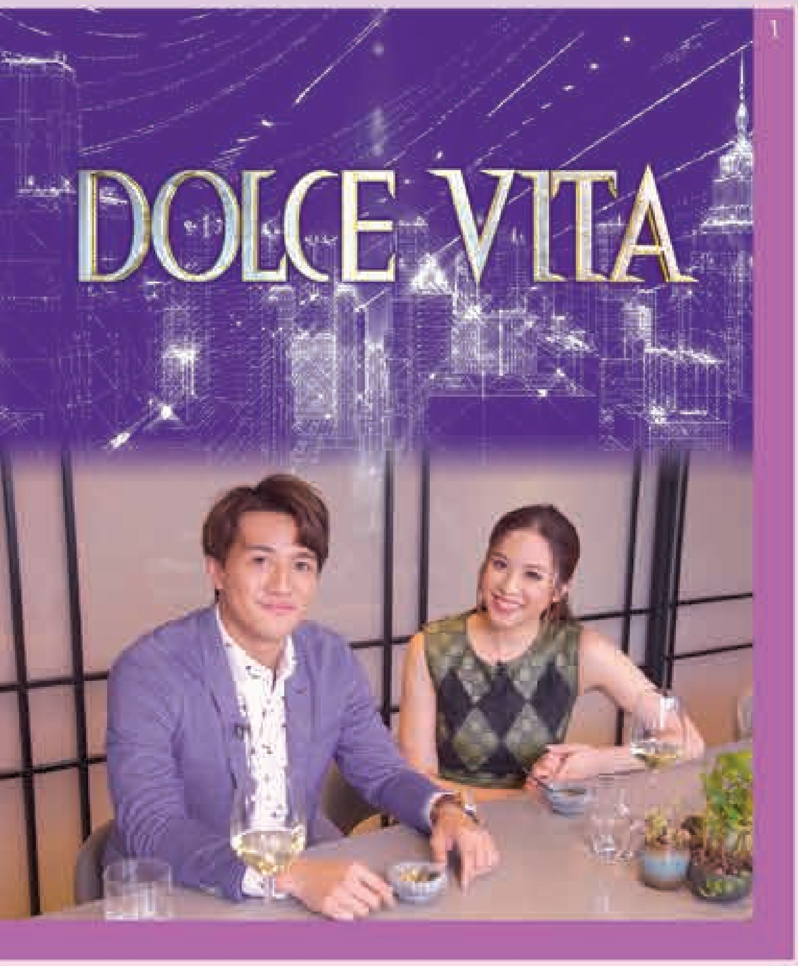
Useful mini-series related to day-to-day life are also covered by TVB News. *Welfare Weekly* recapped the eligibility of various types of social benefits for Hong Kong residents. *Mobservatory* hosted by Leung Wing Mo, the former Assistant Director of Hong Kong Observatory, revealed climate and weather secrets. *Humans of Hong Kong* depicted affection, positive energy and care for the society by way of real life scenarios.

Long-running Sunday half-hour programmes *On the Record*, which features in-depth interviews of senior government officials, politicians, scholars and business leaders continues to provide insights to audiences on controversial subjects. *Sunday Report*, which showcases the real story on Hong Kong's most prevalent issues, won bronze world medal in social issues category in 2019 New York Festivals World's Best TV & Films for its mini-series titled "*How Popular Are Cyberstars*".

1. Sunday Report

[5] Data source: Nielsen SiteCensus

2. Legislative Council vandalized by protesters | 3. Anti-extradition bill protest | 4. On the Record | 5. Taiwan Elections
6. News Watch English | 7. TVB News Studio | 8. Mobservatory



1. Dolce Vita | 2. Jamie's Super Food Family Classics | 3. The Oscars® | 4. Chasing the Moon
5. Big Sharks Rule | 6. Masters of Hong Kong 2019

0.8 TVRs

Pearl prime time (3% of Total TV Ratings)

Pearl continues to offer up-market, stylish and entertaining international programmes to audience and upkeep its position as the leading English channel in Hong Kong. Pearl was the exclusive broadcaster of the glamorous Hollywood event *The Oscars*® in Hong Kong and was again awarded the official broadcaster of prestigious equestrian sport event, *The Masters of Hong Kong* in 2019.

Popular movies on weekends are the most appealing category on Pearl. Riding on the much anticipated theatrical release of *Toy Story 4*, the earlier releases *Toy Story 2 & 3* were scheduled on Pearl around the same time and became the top rated movies of the Year. Each of these Toy Story series achieved an average ratings of over 5.5 TVRs. Viewers were also attracted to the superhero movies such as *Marvel's The Avengers* and *Wonder Woman*.

Drama fans enjoyed a rich collection of western drama on Pearl, ranging from military drama *The Brave*, procedural action drama *9-1-1 (Season I & II)*, and medical drama *The Good Doctor (Season I & II)*. In particular, *The Brave* and *The Good Doctor (Season I)* scored respectable ratings of 2.1 TVRs and 2.0 TVRs respectively.

In its 13th year, the iconic locally produced lifestyle programme *Dolce Vita* further enriched its content and became more alluring to both audience and advertisers. The value-added service of re-editing advertisers' featured stories on *Dolce Vita* as TV commercials was welcomed, as it can provide a hassle free one-stop solution for their marketing campaigns.

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7. Whiskey Cavalier | 8. 9-1-1 (Season I)

TVB Finance & Information Channel

0.6 TVRs

TVB Finance & Information prime time (2% of Total TV Ratings)

TVB Finance & Information Channel leads the market as the only 24-hour finance related free TV channel. The channel endeavours to stay ahead and keep audience abreast of the rapidly changing markets.

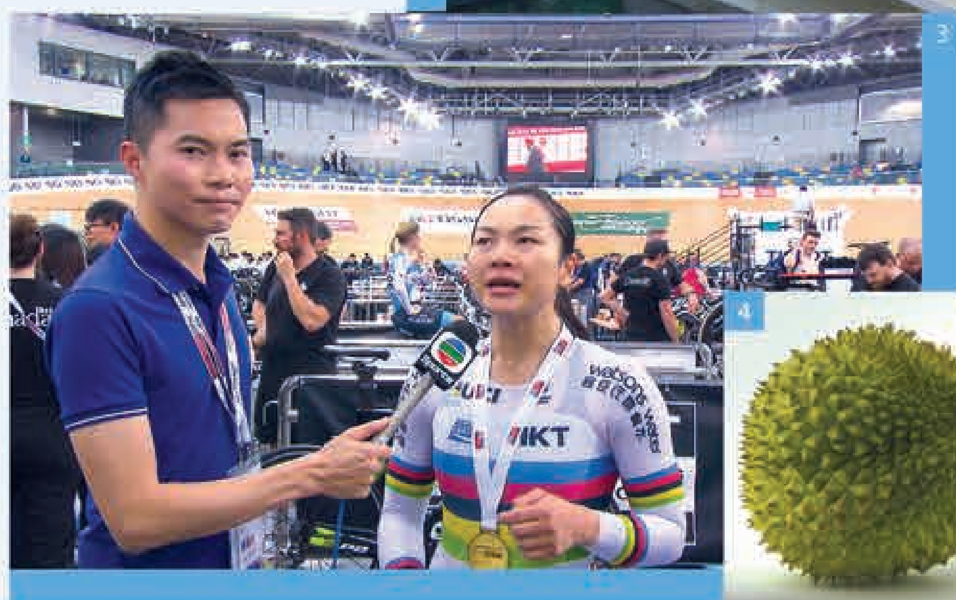
TVB Finance & Information Channel continues to capture eyeballs of a pool of investment-savvy audience. This year, the channel again surpassed other finance related TV channel in terms of ratings due to its intensive capital market updates and expert analyses.

Apart from instant stock market updates, the channel offers numerous financial and investment programmes at evening prime time, targeting investors in finance and property markets. The live programme of *Finance at 10*, *Market Wrap Up* and property focused *A Property A Day* became the regular weekday productions.

The channel also offers a wide range of station-produced programmes covering all-rounded investment topics from property, health, education, career to knowledge, that are well-received by its target audience. In 2019, brand new programmes like *Eating With Wisdom* revealed the potential threats of food safety via interviews of scholars, nutritionists, and doctors while *Global Citizens* told the stories of eight foreigners who strive to start a new life in Hong Kong.

To promote development in local sports and to feature live international sports events, the channel aggregated a number of sports events for audience, such as *International Champions Cup 2019*, *Dutch Eredivisie 2019/2020*, and *Hong Kong Open Badminton Championships 2019*.

1. Finance at 10



2. A Property A Day | 3. UCI Track Cycling World Cup - H.K. | 4. Eating With Wisdom
5. Wealth 360 | 6. Global Citizens

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[6]. 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.

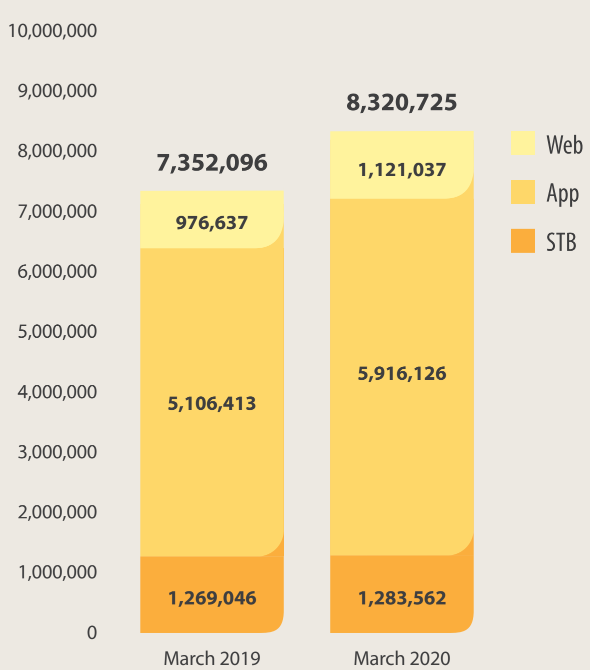
myTV SUPER contributed a share of 12% to the Group's revenue (2018: 9%). Revenue increased by 10% from HK$402 million to HK$442 million. Operating costs had largely stablised. Overall, we are pleased to report that segment profit increased from HK$16 million to HK$40 million, an increase of 154%.

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 HK$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.

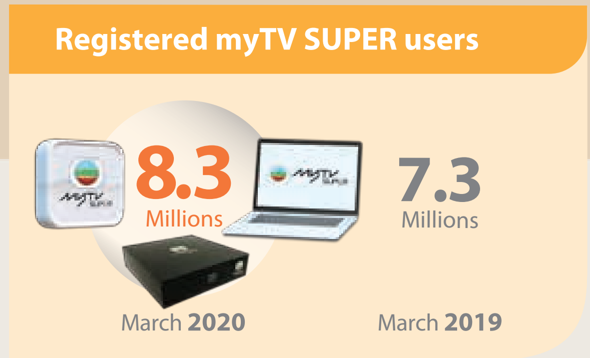
Registered Users of myTV SUPER in Hong Kong

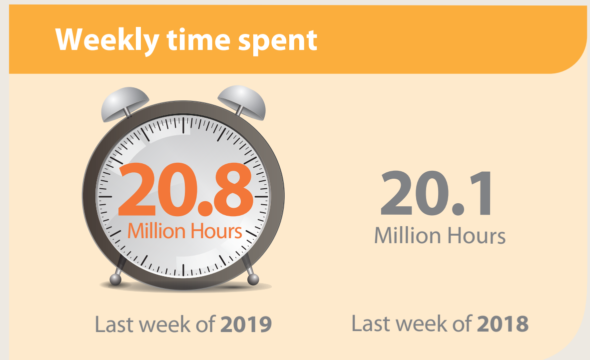


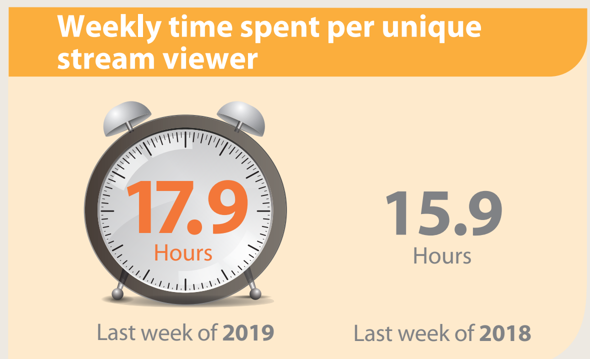
Our basic pack service is priced at HK$980 per set-top box ("STB") (previously HK$780) which included a STB and one year's viewing. In December 2019, we raised the annual subscription upon renewal from HK$576 to HK$696, an increase of 21%. Together with myTV Gold which is priced at HK$1,776 per year, 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%[7] (2018: 51%) households in Hong Kong with our STB, and 90%[8] (2018: 78%) of TV audience with our mobile app.

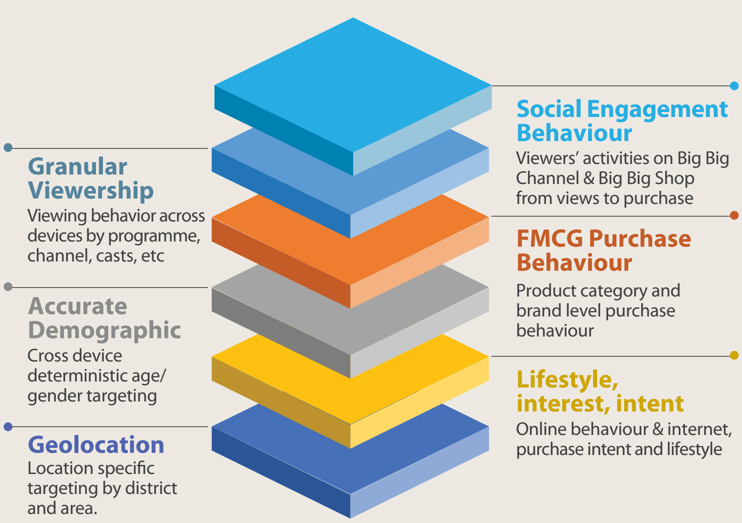
Premium content has further contributed to the growth in subscriber base and content consumption. The total time spent recorded during the last week of 2019 reached 20.8 million hours, equivalent to a weekly consumption of 17.9 hours per unique stream viewer. All-day-all time average rating was 1.89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

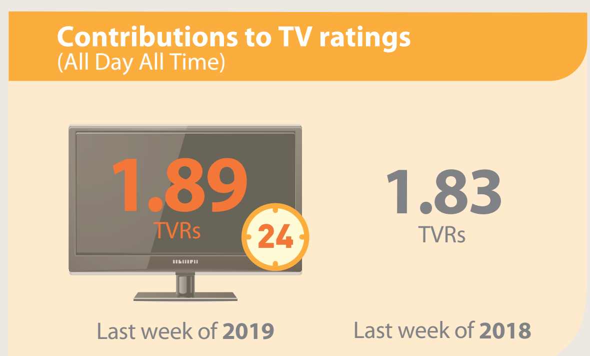


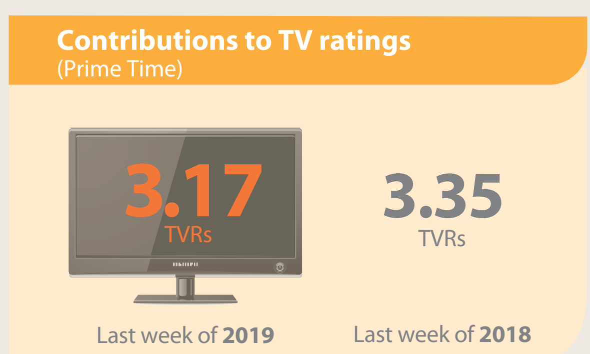




DMP provides 360 view of audience







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[9] 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[10]. In terms of reach, myTV SUPER ranked third with a reach of 58%[11]. 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.
- 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

1. Television Broadcasts Limited and Hong Kong Broadband Network announced to expand the strategic collaboration for enterprise solutions customers.

Scan to discover myTV SUPER

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".

[6] 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).

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

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

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

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

[11] According to Nielsen 2019 Survey, the reach of Youtube and Facebook videos were 71% and 64%, respectively.

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[12] of BBC followers around the world in excess of 14.0 million[13] (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.

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-scenes 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-

All platforms carrying Big Big Channel's content

Total number of followers

14.0 Millions	**12.2** Millions
As of 31 December 2019	As of 31 December 2018

Big Big Channel platform only

Number of registered users

3.2 Millions	**3.1** Millions
As of 31 December 2019	As of 31 December 2018

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.

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.

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

[13] As of 31 December 2019

MANAGEMENT DISCUSSION AND ANALYSIS

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.

1. TVB Event Power TVC | 2. Hysan Place x Big Big Channel Summer VR Battle Event | 3. Think Big Jumping Day

TVBI

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

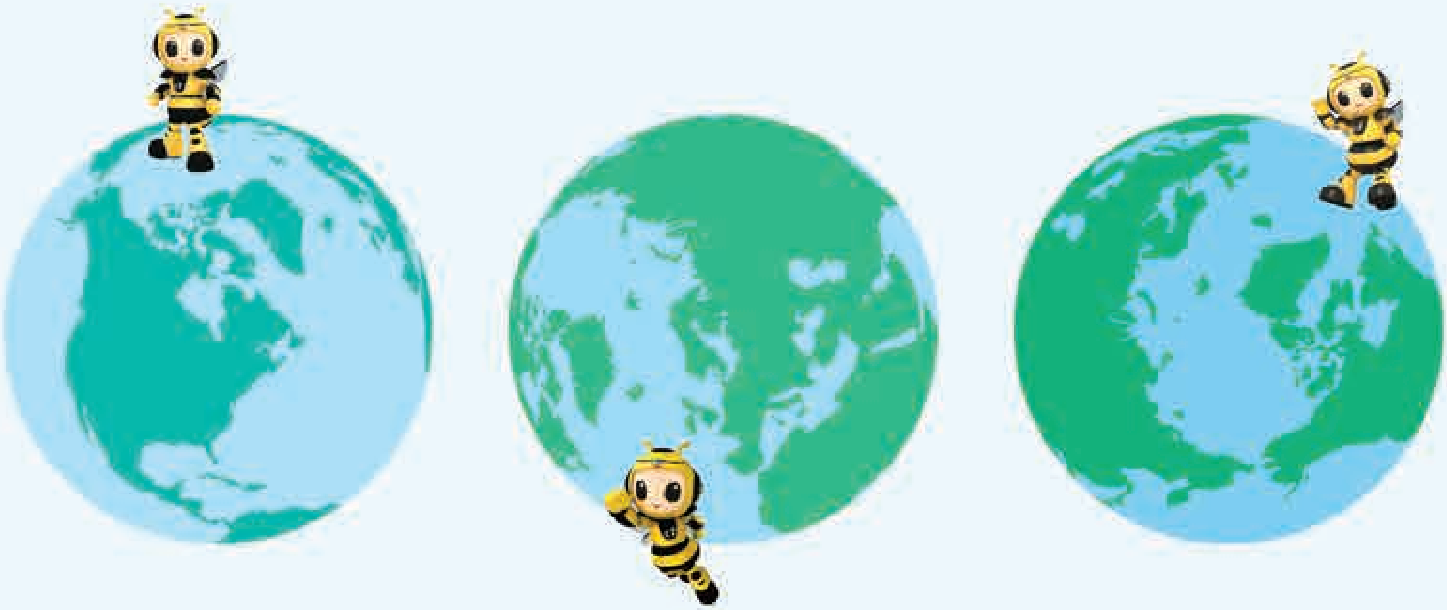
For the year ended 31 December	2019 HK$ million	2018 HK$ million	Year-on-year change
Segment revenue (external)	740	870	-15%
Inter-segment revenue	64	60	6%
Less: costs	(392)	(516)	-24%
Segment profit	412	414	-1%

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

Scan to discover
TVB Anywhere



programme supply arrangements to StarHub Cable Vision Limited ("StarHub"). We now fully cover the pay TV market there, which puts us in a favourable 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 IV* 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[14] mainly due to lower co-production revenue from HK$299 million in 2018 to HK$105 million in 2019.

[14] See note 5 to the consolidated financial statements on geographic analysis

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.

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.

1. Our Unwinding Ethos | 2. Airport Strikers

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[15] in these cities. In Macau, Jade's average weekday prime time TV rating is 15.4 TVRs[16]. 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%

[15] Data source: CSM Media Research

[16] Data source: Nielsen Macau Study

3. Of Greed and Ants | 4. Forensic Hero IV

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.

1. Maria's Auspicious Menu IV | 2. Walking With You

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.

3. TVB Fans Gathering | 4. TVB Anywhere VN Mobile Application Promotion Campaign

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

1

2

1. Wu-Tang: An American Saga | 2. Why Women Kill

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: 00953) 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 Tiger 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*.

3. Line Walker 2: Invisible Spy | 4. Flying Tiger 2

TVB ARTISTES

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 totalled 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 totalling 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[17] decreased from HK$782 million to HK$461 million, a decrease of 41%.

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.

[17] 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 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 "Bond securities at amortised cost") were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield-to-maturity of 4.7% 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.

FINANCIAL REVIEW

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.

DIRECTORS' AND AUDIT COMMITTEE'S VIEW TOWARDS THE AUDIT QUALIFICATION

The Company noted that the Auditor considered that they were able to obtain sufficient appropriate audit evidence to assess the valuation of the carrying values of the bonds issued by SMI Holdings Group Limited ("SMI") as at 31 December 2019. As noted in the 2019 auditor's report, the qualification for the year ended 31 December 2019 was related to the opening carrying values of SMI Bonds as at 1 January 2019 and the consequential impairment charge of the Fixed Coupon Bonds and the fair value loss of the Convertible Bonds for the year ended 31 December 2019.

Due to the change in circumstances of SMI happened in 2019 which were not in existence as at 1 January 2019, including but not limited to, i) closure of cinema operations in China as announced by SMI on 5 February 2020 in view of the recent outbreak of the COVID-19, ii) winding-up petitions and other claims filed against SMI noted during 2019 and thereafter; iii) the share pledges of Chengdu Runyun and its underlying subsidiaries uncovered during 2019 which would severely impair the value of the Collateral of the Convertible Bonds, the Auditor was still unable to obtain sufficient appropriate audit evidence they considered necessary to assess management's valuation assessments of the SMI Bonds as at 1 January 2019 based on the new information obtained during the 2019 audit. There were no other satisfactory procedures that the Auditor could perform to determine whether the classification of the Fixed Coupon Bonds and the Convertible Bonds as non-current assets as at 1 January 2019 were appropriate; and whether any adjustments to the carrying values of the Fixed Coupon Bonds carried at HK$nil and the Convertible Bonds of HK$330 million as at 1 January 2019 were necessary.

Since any change to the aforesaid carrying values of the Bonds would consequentially impact the impairment charge of the Fixed Coupon Bonds and the fair value loss of the Convertible Bonds for the year ended 31 December 2019, the Auditor considered that they were also unable to determine whether any adjustments to the impairment charge of the Fixed Coupon Bonds and fair value loss of the Convertible Bonds in the consolidated income statement for the year ended 31 December 2019 were necessary.

As the Company is only a creditor and was not provided with sufficient information and hence unable to provide the Auditors with sufficient audit evidence to perform the fair value/impairment assessment on SMI Bonds as at 1 January 2019, the Auditors issued a qualified report in relation to the Audit Qualification on the carrying amount of SMI Bonds as at 1 January 2019 and the corresponding impairment charge of the Fixed Coupon Bonds and the fair value loss of the Convertible Bonds for the year ended 31 December 2019.

During the Audit Committee's review of the Company's financial statements for the year ended 31 December 2019, the Audit Committee concurred with the accounting treatment adopted by the Company in performing the impairment loss/fair value assessment on SMI Bonds based on a recovery analysis on the underlying assets and liabilities of SMI Group under liquidation basis. This treatment was also accepted by the Directors during the Board's consideration of the Results Announcement for the year ended 31 December 2019. The Audit Committee and the Directors are in agreement with the Auditor on their expression of the Audit Qualification due to the limitation on scope of the audit on the opening balances of carrying amount of SMI Bonds as at 1 January 2019 and the corresponding impairment charge of the Fixed Coupon Bonds and the fair value loss of the Convertible Bonds for the year ended 31 December 2019.

GOING FORWARD

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

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 SCHEMES

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 Schemes") respectively on 29 June 2017. These Share Option Schemes are valid and effective for a period of ten years from the date of adoption. 17,000,000 share options were granted by the Company under the Share Option Scheme in 2018. No share options had been granted by the Company and Big Big Channel Holdings under the Subsidiary Share Option Schemes in 2019.

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.

CORPORATE GOVERNANCE

DIRECTORS

LI Ruigang | Mark LEE Po On | Thomas HUI To | Anthony LEE Hsien Pin | CHEN Wen Chi

LI Ruigang
Vice Chairman
Non-executive Director
Member of Executive Committee
Member of Remuneration Committee

Board appointment Mr. Li, aged 50, was appointed as a Non-executive Director of the Company and the Vice Chairman of the Board on 17 October 2016. In addition, Mr. Li holds directorships in certain subsidiaries of the Company.

Competencies and experience Mr. Li is the founding chairman and CEO of CMC Inc., and founding partner of CMC Capital Partners. Mr. Li has rich operational experience, investment track record and in-depth insight into China's media and entertainment industry. Mr. Li has led CMC to create many industry champions and emerging leaders across the sub-sectors of media, entertainment, lifestyle, technology and consumer. Mr. Li was the chairman and president of Shanghai Media Group (SMG). Mr. Li is the chairman and a non-executive director of Shaw Brothers Holdings Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). CMC Inc., which is controlled by Mr. Li, is a substantial shareholder of the Company. Mr. Li holds share interest in the Company through his interest in Young Lion Holdings Limited ("YLH"), Young Lion Acquisition Co. Limited ("YLA") and Shaw Brothers Limited ("Shaw Brothers"), all of which are shareholders of the Company. Mr. Li is a director of YLH, YLA and Shaw Brothers. Mr. Li is a board member of Special Olympics.

Qualifications Mr. Li holds a Master Degree of Arts and a Bachelor Degree of Arts of Journalism from Fudan University.

Committees Mr. Li serves as a member of the Executive Committee and the Remuneration Committee.

Mark LEE Po On
Executive Director and Group Chief Executive Officer
Chairman of Executive Committee
Member of Risk Committee
Member of Investment Committee

Board appointment Mr. Lee, aged 64, joined the Company on 1 February 2007. Mr. Lee was appointed as the Group Chief Executive Officer (formerly Group General Manger) in September 2009. He was appointed as an Executive Director in March 2010. In addition, he holds directorships in a number of the subsidiaries of the Company.

Competencies and experience Before joining TVB and during the period from late 1987 to January 2007, Mr. Lee worked as an executive director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of executive director and CEO of Asia

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

Television Limited which was a former affiliate of the consortium. During the early period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai.

Qualifications Mr. Lee is a fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

Committees Mr. Lee serves as the chairman of the Executive Committee, a member of the Risk Committee and the Investment Committee.

Thomas HUI To
Executive Director
Member of Executive Committee
Member of Nomination Committee
Member of Investment Committee

Board appointment Mr. Hui, aged 47, was appointed as an Executive Director on 21 March 2018. Mr. Hui was a Non-executive Director of the Company since 23 April 2015 and re-designated to an Executive Director.

Competencies and experience Mr. Hui is the chief operating officer and an executive director of CMC Inc. Mr. Hui is a non-executive director of Shaw Brothers Holdings Limited, a company listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company, and an independent non-executive director of KingSoft Corporation Limited, a company listed on the main board of the Stock Exchange. Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. He was also a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui is an executive director of CMC Inc., which is a substantial shareholder of the Company. CMC Inc. holds share interest in the Company through its interest in YLH, YLA and Shaw Brothers in which Mr. Hui is a director.

Qualifications Mr. Hui holds a Master Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

Committees Mr. Hui serves as a member of the Executive Committee, the Nomination Committee and the Investment Committee.

DIRECTORS

Anthony LEE Hsien Pin
Non-executive Director
Chairman of Investment Committee
Member of Audit Committee
Member of Nomination Committee

Board appointment Mr. Lee, aged 62, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Lee was an Alternate Director to Mrs. Christina Lee Look Ngan Kwan, his mother, a former Non-executive Director of the Company, between 3 September 2002 and 3 February 2012.

Competencies and experience Mr. Lee is a director of Hysan Development Company Limited, a company listed on the main board of the Stock Exchange, and a director of Lee Hysan Company Limited. He is also a director and a substantial shareholder of Australian-listed Beyond International Limited.

Qualifications Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

Committees Mr. Lee serves as the chairman of the Investment Committee, a member of the Audit Committee and the Nomination Committee.

CHEN Wen Chi
Non-executive Director

Board appointment Mr. Chen, aged 64, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Chen was an Alternate Director to his wife, Ms. Wang Hsiueh Hong, a former Non-executive Director of the Company, between 13 May 2011 and 3 February 2012.

Competencies and experience Mr. Chen is a director of HTC Corp., as well as the chairman of VIA Technologies, Inc., Xander International Corp. and Chander Electronics Corp., all of which are listed on the Taiwan Stock Exchange Corporation. Mr. Chen also holds seats on several industry advisory bodies, and has been a member of the World Economic Forum for over ten years. Ms. Wang Hsiueh Hong, the spouse of Mr. Chen, is a substantial shareholder of the Company. She holds share interest in the Company through her interest in YLH, YLA and Shaw Brothers in which Mr. Chen is a director.

Qualifications Mr. Chen holds an MSEE degree from National Taiwan University and an MSCS degree from the California Institute of Technology.

Dr. William LO Wing Yan JP
Independent Non-executive Director
Chairman of Audit Committee
Member of Nomination Committee
Member of Risk Committee

Board appointment Dr. Lo, aged 59, was appointed as an Independent Non-executive Director of the Company on 11 February 2015.

Competencies and experience Dr. Lo is an independent non-executive director of CSI Properties Limited, SITC International Holdings Company Limited, Jingrui Holdings Limited and Brightoil Petroleum (Holdings) Limited, all of which are listed on the main board of the Stock Exchange. Dr. Lo is an independent non-executive director of Nam Tai Property Inc. which is listed on the New York Stock Exchange. Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He started his career in McKinsey & Company Inc. as a management consultant and held senior positions in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited, South China Media Group and Kidsland International Holdings Limited in the past. Dr. Lo is the founding governor of the Charles K. Kao Foundation for Alzheimer's Disease and the ISF Academy as well as the present chairman of Junior Achievement HK.

Qualifications Dr. Lo graduated from Cambridge University with a M. Phil. Degree in Pharmacology and a Ph.D. Degree in Molecular Neuroscience.

Committees Dr. Lo serves as the chairman of the Audit Committee, a member of the Risk Committee and the Nomination Committee.

Professor Caroline WANG Chia-Ling
Independent Non-executive Director
Member of Audit Committee
Member of Risk Committee

Board appointment Professor Wang, Aged 67, was appointed as an Independent Non-executive Director of the Company on 1 April 2015.

Competencies and experience Professor Wang is a director of Shanghai Baolong Automotive Corporation, a company listed on the Shanghai Stock Exchange. Professor Wang is a Professor of Business Practice at Business School of The Hong Kong University of Science and Technology. She was appointed as Adjunct Professor at HKUST in 2003 when she was the highest ranked Asian women executive at IBM globally. She had over 25 years of experiences with IBM in the US and across Asia Pacific. Among the various management roles she held while based in the US, Japan, and Greater China, Professor Wang had been Vice President of Marketing as well as Vice President of Business Transformation and Information Technology. Professor Wang is author of "Managerial Decision Making and Leadership", published by Jossey-Bass, an imprint of Wiley.

Qualifications Professor Wang was awarded a Master's Degree of Science from Harvard University and a Master's Degree of Arts from University of Wisconsin-Milwaukee.

Committees Professor Wang serves as a member of the Audit Committee and the Risk Committee.

Dr. Allan ZEMAN GBM, GBS, JP
Independent Non-executive Director
Member of Nomination Committee

Board appointment Dr. Zeman, aged 71, was appointed as an Independent Non-executive Director of the Company on 1 April 2015.

Competencies and experience Dr. Zeman is the chairman of Lan Kwai Fong group and the Lan Kwai Fong Association in Hong Kong. Dr. Zeman serves as a non-executive chairman of Wynn Macau, Limited, an independent non-executive director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, Fousun Tourism Group and is a non-executive director of Pacific Century Premium Developments Limited, all of which are listed on the main board of the Stock Exchange. Dr. Zeman has been very involved in government services as well as community activities. Dr. Zeman was the chairman of Hong Kong Ocean Park from July 2003 to June 2014, and is now the honorary advisor to the Park. Dr. Zeman was also a member of the board of West Kowloon Cultural District Authority from 2008 to 2016, and is now an honorary advisor of the Authority and the chairman of its Commercial Letting Panel. He serves as the board of director of the Alibaba Entrepreneurs Fund, a board member of the Airport Authority of Hong Kong. Dr. Zeman is the appointed member of HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development and the Human Resources Planning Commission. A member of the General Committee of the Hong Kong General Chamber of Commerce, a governor of the board of governors of Our Hong Kong Foundation and a representative of Hong Kong China to the APEC Business Advisory Council. Dr. Zeman is also a member of the board of governors of The Canadian Chamber of Commerce in Hong Kong and the vice patron of the Hong Kong Community Chest.

Qualifications Dr. Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. In 2012, he was awarded Honorary Doctorate Degrees of Business Administration from City University of Hong Kong and The Hong Kong University of Science and Technology. In November 2019, Dr. Zeman was awarded Honorary Doctorate Degrees of Business Administration by The Open University of Hong Kong. In 2001, Dr. Zeman was appointed a Justice of the Peace in Hong Kong. He was awarded the Gold Bauhinia Star in 2004 and the Grand Bauhinia Medal in 2011.

Committee Dr. Zeman is a member of the Nomination Committee.

DIRECTORS

Felix FONG Wo BBS, JP
Independent Non-executive Director
Chairman of Nomination Committee
Chairman of Risk Committee
Member of Audit Committee
Member of Remuneration Committee

Board appointment Mr. Fong, aged 69, was appointed as an Independent Non-executive Director of the Company on 3 December 2019.

Competencies and experience Mr. Fong is a practicing solicitor in Hong Kong and is also qualified in Canada and England. He is appointed by the Ministry of Justice of China as one of the China-Appointed Attesting Officers in Hong Kong. Mr. Fong is a consultant and the founding partner of the Hong Kong law firm, King & Wood Mallesons (formerly known as Arculli Fong & Ng), and has practiced law for over 30 years, including eight years in Toronto. Mr. Fong is an independent non-executive director of a number of listed companies, namely Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited), Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited), Evergreen International Holdings Limited, Sheen Tai Holdings Group Company Limited, Xinming China Holdings Limited and WuXi Biologics (Cayman) Inc., whose shares are listed on the Stock Exchange. Mr. Fong is a member of the Guangdong Provincial Committee of Chinese People's Political Consultative Conference (9th and 10th Sessions), a director of the China Overseas Friendship Association, a director of the Shanghai Chinese Overseas Friendship Association and an executive director of the Guangdong Overseas Friendship Association. He is a director of the Hong Kong Basic Law Institute and also the former chairman of the Advisory Council on Food and Environment Hygiene and a former member of the Hong Kong Communications Authority. Mr. Fong is a member of the first Selection Committee for the purposes of electing the Chief Executive for Hong Kong Special Administrative Region, a founding member of the Canadian International School of Hong Kong and a visiting professor of the School of Law of Sun Yat-sen University, China.

Committees Mr. Fong serves as the chairman of the Nomination Committee, the chairman of the Risk Committee, a member of the Audit Committee and a member of the Remuneration Committee.

Belinda WONG Ching Ying
Independent Non-executive Director
Chairman of Remuneration Committee
Member of Nomination Committee

Board appointment Ms. Wong, aged 48, was appointed as an Independent Non-executive Director of the Company on 3 December 2019.

Competencies and experience Ms. Wong is currently the chairman and chief executive officer of Starbucks China, responsible for overseeing Starbucks overall business in Mainland China, including driving retail business growth through leading and strengthening the third-place (store) experience, and pioneering the next wave of digital innovations for the Digital Ventures business. Ms. Wong joined Starbucks Coffee Company in 2000 and held several leadership positions within Starbucks in different business units across different geographies. She has extensive experience in retail, food and beverage, consumer, brand development and growth strategy across the Greater China and Asia Pacific regions. Prior to joining Starbucks, Ms. Wong was the marketing manager of McDonald's China Development Company. Ms. Wong is also an independent non-executive director of Hysan Development Company Limited, a company listed on the Stock Exchange. She serves as a member on the Faculty Advisory Board for the Sauder School of Business at UBC.

Qualifications Ms. Wong holds a Bachelor of Commerce degree with a major in finance from the University of British Columbia in Canada.

Committees Ms. Wong serves as the chairman of the Remuneration Committee and a member of the Nomination Committee.

SENIOR MANAGEMENT

Mark LEE Po On　Desmond CHAN Shu Hung　Felix TO Chi Hak　Adrian MAK Yau Kee

Mark LEE Po On
Group Chief Executive Officer

Please refer to Mr. Lee's biographical information on page 62 of this Annual Report.

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

Aged 52, was appointed as Deputy General Manager (Legal and International Operations) in July 2016. He joined TVB as General Counsel in May 2010 and was appointed as Assistant General Manager in December 2012. He is responsible for international operations and legal and regulatory matters of the Company. Mr. Chan is also the General Manager of TVBI Company Limited and holds directorships in a number of the subsidiaries of the Company. Mr. Chan has had extensive experience in television and telecommunications industries. He worked at Asia Television Limited from 1994 to 1999, and i-Cable Communications Limited from 1999 to 2010. Mr. Chan received Master of Laws degrees from City University of Hong Kong, Renmin University of China and University of Strathclyde of United Kingdom respectively. He is a solicitor of Hong Kong Special Administrative Region (not currently in private practice).

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

Aged 56, was appointed as Deputy General Manager (Programme and Production) in July 2016 and is responsible for Programming and Production Divisions. Mr. To served in TVB Network Vision Limited, an associate of the Company, as CEO between 2012 and 2014, and joined TVB as Programme Controller and Assistant to Group CEO in January 2015, as Assistant General Manager in October 2015 and promoted to his current position in July 2016. He holds directorships in a number of the subsidiaries of the Company. Mr. To has had extensive experience in the media industry in Hong Kong, ranging from newspapers, publishing, advertising, radio, to pay and free TV. Before joining TVB, he was in various management positions overseeing production and programming in Asia Television Limited between 1996 and 1999; i-Cable Communications Limited between 2002 and 2005; and now TV between 2008 and 2012.

Adrian MAK Yau Kee
Chief Financial Officer and Company Secretary
Member of Investment Committee

Aged 59, joined TVB as CFO and Company Secretary in November 2004. Mr. Mak holds directorships in a number of the subsidiaries of the Company. Prior to his current positions, Mr. Mak was CFO of Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, between 2001 and 2003, and CFO of CyberCity Holdings Limited between 2000 and 2001. Between 1992 and 2000, Mr. Mak served as an associate director in the Corporate Finance Division at the Hong Kong Securities and Futures Commission. Between 1983 and 1992, Mr. Mak worked at various offices of KPMG (Hong Kong, London and Birmingham offices). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company are terrestrial TV broadcasting, together with programme production and distribution, and other TV-related activities. The principal activities of the principal subsidiaries are detailed in Note 46 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS, APPROPRIATIONS AND DISTRIBUTABLE RESERVES

The results of the Group for the year are set out in the consolidated income statement on page 142.

Distributable reserves of the Company amounted to HK$3,654,109,000 at 31 December 2019 (2018: HK$4,552,024,000).

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 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.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,753,000.

SHARE ISSUED IN THE YEAR

The Company has not issued any shares in the year. Details of the share capital information of the Company are set out in Note 19 to the consolidated financial statements.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 134.

BUSINESS REVIEW

A business review of the Group, by lines of business, for the year is presented as follows:

OVERALL

TVB is the leading terrestrial TV broadcaster headquartered in Hong Kong. TVB is also one of the largest commercial Chinese programme producers in the world with an annual production output of over 22,000 hours of drama and variety programmes, in addition to documentaries and news reports, and archive library of over 147,000 hours. Its vertically integrated business model extends from content production, broadcasting to distribution. Since 2016, TVB has been transformed from a traditional media to a major digital player, operating over-the-top services myTV SUPER and TVB Anywhere, social media platform Big Big Channel and e-commerce platform Big Big Shop.

TVB employs a total of 3,785 (2018: 4,041) employees in Hong Kong and overseas. Details of the geographical distribution of employees can be found on page 133.

HONG KONG TV BROADCASTING

TVB operates under a domestic free TV programme service licence ("Free TV Licence") which was renewed by the Hong Kong SAR Government in May 2015 for a period of 12 years, ending in 2027. Under the Free TV Licence, TVB broadcasts five terrestrial TV channels, namely Jade, J2, TVB News Channel, Pearl and TVB Finance & Information Channel (collectively, "TVB channels") using the allocated digital TV spectrum (using digital TV sets or via set-top boxes), and two terrestrial TV channels, namely, Jade and Pearl using the allocated TV analogue spectrum. The Hong Kong SAR Government has confirmed that the analogue TV spectrum will be switched off by 1 December 2020. Since 2007, TVB has made substantial investment to build the Digital Terrestrial Television ("DTT") network by constructing a total of 29 signal transmission stations throughout Hong Kong. The DTT network covers 99 percent of the population.

As a free TV service licensee, TVB is regulated under the Broadcasting Ordinance and various Codes of Practices. In particular, the duration of advertisements which can be broadcast on TVB channels during the broadcasting hours is strictly regulated. Further, TVB is required to broadcast certain Government-produced announcements. Under the licence, TVB is required to produce a news service for the general public, and positive programmes catering to the needs of children and elderly viewers.

myTV SUPER

myTV SUPER OTT service is the largest OTT platform in Hong Kong with over a total of 8.3 million registered users covering OTT boxes, mobile apps and the web. TVB monetises these content through its OTT service and website by subscription and by advertising through insertion of advertisements, in static (banner) or video (in roll advertisement) format, before and during programmes.

BIG BIG CHANNEL BUSINESS

Big Big Channel business comprises an online social media platform – Big Big Channel; e-commerce platform – Big Big Shop; events management; and music entertainment – Voice Entertainment.

With the global launch of Big Big Channel, an online social media platform, TVB has successfully completed the new development of the three-media platform strategy. Big Big Channel rides on the global trend of social media and engages with users via a free registration mobile app and subsequently expand our global reach by adding a web version www.bigbigchannel.com.hk in January 2018.

Voice Entertainment engages in artistes' sound recordings, music productions, music copyrights management, music publishing, concerts and artistes' management. This music production are primarily developed for TVB drama serials and programmes.

PROGRAMME LICENSING AND DISTRIBUTION

TVB licenses its self-produced channels and programmes to overseas TV broadcasters, including both free and pay operators, in return for licence fees. A number of business models are being used, depending on the markets. In mainland China where content produced by TVB is regarded as non-Mainland produced, it is subject to the regulations governing imported TV programmes. In other key markets such as Malaysia and Singapore, TVB enters into supply agreements with the local operators supplying a fixed number of hours of programmes and channels in return for a licence fee. Beyond these key markets, TVB continues to explore licensing of content to other markets, including Vietnam and Cambodia, as part of its business to further widen distribution.

OVERSEAS PAY TV OPERATIONS AND TVB ANYWHERE

TVB operates its own platforms in North America (USA) under a subscription model. A number of channels are being compiled by TVB which may be TVB produced or acquired, to form a service pack. Viewers are required to subscribe for such service packs. In 2016, TVB began to distribute under an OTT service named TVB Anywhere for the global market.

PRINCIPAL RISKS FACING BY THE COMPANY

The principal risks facing by the Company which could present significant impact on our business are listed out in the Corporate Governance Report on pages 98 to 99.

FUTURE DEVELOPMENT IN THE COMPANY'S BUSINESS

The Company will focus on mainland China market which is the single largest market for TVB in the area of co-production and online distribution of programmes. The Company will continue to grow subscriptions of myTV SUPER in Hong Kong and to market TVB Anywhere service overseas.

DIVIDEND POLICY

The Board supports a policy to provide a steady dividend return to shareholders. The Company adopted a written dividend policy ("Dividend Policy") at the Board Meeting on 6 December 2018. The full text of the Dividend Policy is set out in page 106 of this annual report.

THE COMPANY'S ENVIRONMENTAL POLICIES AND PERFORMANCE

It is TVB's policy to ensure that its business is conducted in the most environmental friendly manner. TVB closely monitors the usage of electricity which is a major resource supporting the broadcasting business to ensure a high degree of efficiency.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

During the year, the Company was in compliance with the relevant laws and regulations in Hong Kong and other territories in which the Group operates.

THE COMPANY'S KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintains good relationships with its employees (including performance artistes), customers and suppliers.

DIRECTORS

The Directors of the Company during 2019 were, and at the date of this Annual Report are, as follows:

Executive Directors

Mark Lee Po On
Thomas Hui To

Non-executive Directors

Li Ruigang
Anthony Lee Hsien Pin
Chen Wen Chi

Independent Non-executive Directors

William Lo Wing Yan
Caroline Wang Chia-Ling
Allan Zeman
Felix Fong Wo
Belinda Wong Ching Ying

Appointed Directors

Mr. Felix Fong Wo
(appointed as Independent Non-executive Director on 3 December 2019)
Ms. Belinda Wong Ching Ying
(appointed as Independent Non-executive Director on 3 December 2019)

Resigned Directors

Mr. Cheong Shin Keong
(resigned as Executive Director on 1 January 2020)
Dr. Raymond Or Ching Fai
(resigned as Independent Non-executive Director on 1 January 2020)
Dr. Charles Chan Kwok Keung
(resigned as Non-executive Director on 4 February 2020)

The Company had received the resignation letters from the respective Resigned Directors confirming that they had no disagreement with the Board and there was nothing relating to the affairs of the Company which needed the attention of the shareholders and that their resignations were due to increasingly heavy commitments to their other businesses and/or retirement.

DIRECTORS' REPORT

The Company issued letters of appointment for all Directors setting out the key terms and conditions of their appointments.

Pursuant to the Company's Articles of Association ("Articles"), any director appointed by the Company in general meeting shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Any director appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for election at the meeting. Subsequently, directors will be subject to retirement and re-election at every third annual general meeting of the Company following his/her last election or re-election.

Mr. Mark Lee Po On and Dr. Raymond Or Ching Fai who retired at the Company's annual general meeting held on 22 May 2019 ("2019 AGM") were successfully re-elected as Directors at the 2019 AGM.

In accordance with Article 117(A) of the Articles, Mr. Li Ruigang will retire at the 2020 AGM and, being eligible, offer himself for re-election at the 2020 AGM.

In accordance with Article 112 of the Articles, Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying, who were appointed by the Board as Directors of the Company in December 2019, shall hold offices as Directors of the Company until 2020 AGM and, being eligible, offer themselves for election at the 2020 AGM.

Biographical information of each of the Directors who are subject to retirement for re-election and election at the 2020 AGM, are set out in the notice of the 2020 AGM which will be sent to the shareholders of the Company.

DIRECTORS OF THE SUBSIDIARIES

A list of names of all the directors who have served on the boards of Company's subsidiaries during 2019 and up to the date of this report is available on the Company's website at www.corporate.tvb.com ("Corporate's Website").

DIRECTORS' SERVICES CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of Directors and members of Senior Management are set out on pages 62 to 67 of this Annual Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of Directors in companies which are considered to compete or likely to compete, either directly or indirectly with the principal business of the Group, are required to be disclosed pursuant to Rule 8.10 of the Listing Rules. As at 31 December 2019, these competing businesses are set out below:

Mr. Li Ruigang, a Non-executive Director and the Vice Chairman of the Company (recently appointed as a member of the Executive Committee and Remuneration Committee of the Company on 12 February 2020), is the founding chairman and CEO of CMC Inc. and founding partner of CMC Capital Partners and has through CMC certain deemed interests as a substantial shareholder and/or holds certain directorships in companies within CMC which are engaged in the businesses of programme production, and programme licensing and distribution ("Interested Companies").

Amongst the Interested Companies, Shaw Brothers Holdings Limited ("Shaw Brothers Holdings"), a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange, is principally engaged in the business of investment in films, drama and non-drama and productions in progress and artiste and event management. TVB together with CMC are interested in approximately 29.94% of the shares of Shaw Brothers Holdings. Currently, Mr. Li is the chairman and a non-executive director of Shaw Brothers. According to Mr. Li, he has no executive function and does not participate in the day-to-day management and business decisions of Shaw Brothers Holdings.

Mr. Thomas Hui To, an Executive Director of the Company (also as a member of the Executive Committee, the Risk Committee and Investment Committee), is also a director of CMC Inc. which has interests in the Interested Companies. At the same time, Mr. Hui is a non-executive director of Shaw Brothers Holdings, and is a member of its executive committee.

The Interested Companies and/or Shaw Brothers Holdings may be considered to be in businesses which compete or are likely to compete with the programme production and the programme licensing and distribution businesses of the Company. However, as the Interested Companies and Shaw Brothers Holdings operate independently of, and at arm's length from, the businesses of the Company, and taking into account that the programme production business of the Interested Companies, Shaw Brothers Holdings and the Company taken together only represent a small percentage of the total market for programme production in mainland China, the impact on competition is considered insignificant. Strategically, the Company is also engaged in other businesses, such as the operation of myTV SUPER and Big Big Channel.

Nevertheless, the Company has adopted the following internal control measures with a view to enhancing its corporate governance and managing any potential conflicted transaction and business decision should it arise:

1. The Company will maintain a sufficient number of independent directors in order to advise on any conflicted transaction and business decision should it arise, and to ensure that the interests of its general body of shareholders will be adequately represented.

2. Transactions, if any, between TVB and Shaw Brothers Holdings and/or TVB and CMC will be handled by the other directors of the Company. In the event that such transactions require approval of the Board, Mr. Li and Mr. Hui will abstain from voting on such transactions.

3. Before approving any transaction between TVB and Shaw Brothers Holdings and/or TVB and CMC, the Board should be satisfied that the terms (e.g. pricing) of such transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders.

4. Where necessary, the Company will engage independent consultants and/or legal advisers to provide advice to the Board, the independent Directors (when applicable), and/or the relevant Directors.

In view of the above safeguards, the Board is of the view that the Group is and should remain to be capable of carrying on its business independently of, and at arm's length from, the business of the Interested Companies and/or Shaw Brothers Holdings.

Save as disclosed above, none of the Directors of the Company has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

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

At 31 December 2019, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO"), as recorded in the register required to be kept pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

	Number of ordinary shares held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage in share capital (%)[a]
Charles Chan Kwok Keung [f]	–	–	–	113,888,628	113,888,628 [#(b)(e)(g)]	26.00
Li Ruigang	–	–	113,888,628	–	113,888,628 [#(c)(e)(g)]	26.00
Chen Wen Chi	–	113,888,628	–	–	113,888,628 [#(d)(e)(g)]	26.00
Lee Po On	–	438,000	–	–	438,000 [(e)]	0.10

Notes:

- Duplication of shareholdings occurred between parties# shown in the table here and below under the sub-heading of "Other Persons' Interests in the Shares of the Company".
- The nature of the interests shown in the table here is provided in the notes below and the notes under the sub-heading of "Other Persons' Interests in the Shares of the Company".

At 31 December 2019:

(a) Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.

(b) Dr. Charles Chan Kwok Keung ("Dr. Chan") was deemed to be interested in these 113,888,628 shares of the Company as he was one of the parties to an agreement of which Section 317 of the SFO applies. Dr. Chan held these shares through Shaw Brothers Limited ("Shaw Brothers"). Shaw Brothers was an indirect wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"), which was controlled by Dr. Chan through Innovative View Holdings Limited ("IVH") (see below note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company").

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

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

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

At the date of this Annual Report:

(f) Dr. Charles Chan Kwok Keung resigned as the Chairman and Non-executive Director of the Company on 4 February 2020.

(g) Subsequent to the year ended 31 December 2019, the Company has been notified by Dr. Chan, Mr. Li and Mr. Chen and their associates the movement in their respective interests in the shares of the Company. Details of the movement are provided in the notes on page 79 under the sub-heading of "Other Persons' Interests in the Shares of the Company".

INTEREST IN THE UNDERLYING SHARES OF THE COMPANY

	Number of underlying shares held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage in share capital (%)[a]
Mark Lee Po On	2,000,000	–	–	–	2,000,000	0.46
Thomas Hui To	2,000,000	–	–	–	2,000,000	0.46
Cheong Shin Keong [g]	1,000,000	–	–	–	1,000,000	0.23

Notes:

At 31 December 2019:

(a) Percentage in the share capital was based on 438,000,000 ordinary shares of the Company in issue at 31 December 2019.

(b) Share options ("Options") were granted to the Directors on 22 March 2018 under the share option scheme adopted by TVB on 29 June 2017. Each Option entitles the holder to subscribe for one share of the Company. Details of the share option scheme of the Company are set out on pages 76 to 77 in this Annual Report.

(c) The exercise price of the Options granted is HK$25.84 per shares.

(d) The validity period of the Options is 5 years, from the 22 March 2018 (Date of Grant) up to 22 March 2023 (both days inclusive).

(e) The vesting periods of the Options, are set out below:

- 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);
- 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and
- 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

(f) All the interests stated above represent long positions.

At the date of this Annual Report:

(g) Mr. Cheong Shin Keong resigned as Executive Director of the Company on 1 January 2020 and now as Strategic Consultant to the Board until July 2020.

INTERESTS IN THE SHARES OF THE ASSOCIATED CORPORATION OF THE COMPANY

		Number of ordinary shares held					
Name of associated corporation	Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage In share capital (%) [a]
Shine Investment Limited	Li Ruigang	–	–	102	–	102[b][c]	85.00

Notes:

At 31 December 2019:

(a) Percentage in share capital of associated corporation was based on the total number of Class A shares of the associated corporation in issue.

(b) These 102 shares of Shine Investment Limited were held by Shine Holdings Cayman Limited through certain corporations which were controlled by Mr. Li Ruigang.

(c) The interests held by this Director represented long positions.

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

SHARE OPTION SCHEMES

Share Option Scheme of the Company

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

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

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

Details of movement in the share options of the Company ("Options") during 2019, are set out below:

		Number of options								
Name of grantee	Date of grant	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2019	Exercise price per share	Closing price of the Company's shares at the date of grant	Exercise period
Directors										
Mark Lee Po On	22 March 2018	2,000,000	0	0	0	0	2,000,000	HK$25.84	HK$25.60	Note [2]
Thomas Hui To	22 March 2018	2,000,000	0	0	0	0	2,000,000	HK$25.84	HK$25.60	Note [2]
Cheong Shin Keong	22 March 2018	1,000,000	0	0	0	0	1,000,000	HK$25.84	HK$25.60	Note [2]
Sub-total		5,000,000	0	0	0	0	5,000,000			
Employees (In aggregate)	22 March 2018	8,500,000	0	0	0	0	8,500,000	HK$25.84	HK$25.60	Note [2]
Sub-total		8,500,000	0	0	0	0	8,500,000			
Employees of subsidiaries (In aggregate)	22 March 2018	3,000,000	0	0	0	0	3,000,000	HK$25.84	HK$25.60	Note [2]
Sub-total		3,000,000	0	0	0	0	3,000,000			
Other Participant	22 March 2018	500,000	0	0	0	0	500,000	HK$25.84	HK$25.60	Note [2]
Sub-total		500,000	0	0	0	0	500,000			
Total		**17,000,000**	0	**0**	**0**	**0**	**17,000,000**			

Notes:

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

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

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

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

The Options granted to Mr. Mark Lee Po On and Mr. Thomas Hui To (Executive Directors of the Company) and Mr. Cheong Shin Keong (former Executive Director of the Company), had been approved by the Directors (including all Independent Non-executive Directors) of the Company at its meeting on 22 March 2018.

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

No options were granted, exercised, cancelled or lapsed under TVB Option Scheme during 2019. The accounting policy adopted for the Options is set out in Note 29 to the consolidated financial statements.

Subsidiary Share Option Scheme of Big Big Channel Holdings Limited

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

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

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

Save as the information disclosed above in relation to the TVB Option Scheme and the Subsidiary Option Scheme, at no time during 2019 was the Company or any of its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangements to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to acquire benefits by means of acquisition of shares, or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2019, the interests or short positions of the persons (other than the Directors and chief executive of the Company), being 5% or more of the Company's issued capital, as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO, or as otherwise notified to the Company, are set out below:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Number of ordinary shares held	Percentage in share capital (%)[a]
Shaw Brothers Limited [b]	113,888,628 #(c)(f)(h)	26.00
Young Lion Acquisition Co. Limited	113,888,628 #(c)(f)(h)	26.00
Young Lion Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Innovative View Holdings Limited	113,888,628 #(c)(f)(h)	26.00
Brilliant Spark Holdings Limited	113,888,628 #(d)(h)	26.00
Gold Pioneer Worldwide Limited	113,888,628 #(d)(h)	26.00
GLRG Holdings Limited	113,888,628 #(d)(h)	26.00
CMC Inc.	113,888,628 #(d)(h)	26.00
CMC M&E Holdings Ltd.	113,888,628 #(d)(h)	26.00
CMC M&E Acquisition Co. Ltd.	113,888,628 #(d)(f)(h)	26.00
Wang Hsiueh Hong	113,888,628 #(e)(h)	26.00
Kun Chang Investment Co. Ltd.	113,888,628 #(e)(h)	26.00
Profit Global Investment Limited	113,888,628 #(e)(f)(h)	26.00
Silchester International Investors LLP	61,407,500 (g)(h)	14.02
Dodge & Cox	40,163,800 (g)(h)	9.17
Silchester International Investors International Value Equity Trust	26,307,900 (h)	6.01

Notes:

Duplication of shareholdings occurred between parties# shown in the table here and above under the sub-heading of "Directors' and Chief Executive's Interests in the Shares and Underlying Shares of the Company and its Associated Corporations".

At 31 December 2019:

(a) Percentage in the share capital was based on the 438,000,000 ordinary shares of the Company in issue.

(b) Shaw Brothers was the registered shareholder of the 113,888,628 shares of the Company. It was an indirect wholly-owned subsidiary of YLH. YLH is controlled by Dr. Chan (the Chairman of the Board of the Company) with Mr. Li (the Vice Chairman of the Board of the Company) and Ms. Wang as the other two members.

(c) YLH was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through Shaw Brothers which was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of YLH, which was controlled by Dr. Chan through IVH.

[d] CMC M&E Acquisition was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held through the interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings, which was in turn a wholly-owned subsidiary of CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Brilliant Spark was wholly-owned and controlled by Mr. Li.

[e] Ms. Wang was deemed to be interested in these 113,888,628 shares of the Company. Such interests were held indirectly through the interest of Profit Global in YLH. Profit Global was controlled by Kun Chang Investment Co. Ltd. ("Kun Chang"). Directors and substantial shareholders of Kun Chang were all accustomed to act in accordance with the directions of Ms. Wang.

[f] Dr. Chan, IVH, CMC M&E Acquisition, Profit Global, YLH, YLA and Shaw Brothers were the parties of an agreement ("Agreement") to hold the interest in these 113,888,628 shares in the Company. The Agreement was an agreement to which Section 317 of the SFO applied.

[g] Interests were held in the capacity of investment managers.

[h] The interests held by these persons/entities represented long positions.

At the date of this Annual Report:

Subsequent to the year ended 31 December 2019, the Company has been notified that Dr. Chan, who resigned as Chairman and Non-executive Director of the Company on 4 February 2020, has signed a conditional sale and purchase agreement to dispose of his shareholding interests in YLH as part of a proposed reorganisation of the ownership interests among the shareholders of YLH ("Proposed Transactions"). As the Proposed Transactions are subject to the approval of the Communications Authority ("CA"), the Company submitted an application to the CA for the necessary approval.

The Company refers to several disclosure of interests notices from the following parties to the Stock Exchange in January 2020 reporting the movement in their interests in the ordinary shares of the Company ("Shares"):

(1) YLH reported that there has been a change in nature of its interest in the 17,071,101 Shares because of the proposed transaction relating to the reorganisation of the ownership interests among its shareholders.

(2) Each Dr. Chan and IVH, reported that there has been a change in nature of his/its interest in the 113,888,628 Shares because he/it has entered into an agreement for the sale of the said shares in which he/it is interested but which are not required to deliver them within 4 trading days.

(3) Each Dr. Chan and IVH further reported that there has been a change in nature of his/its interest in the 17,071,101 Shares because YLH has entered into a transaction relating to the proposed reorganisation of the ownership interests among its shareholders.

(4) Each Mr. Li and Brilliant Spark, CMC Inc., CMC M&E Holdings, CMC M&E Acquisition, the corporations controlled by Mr. Li reported that there has been a change in nature of his/its interest in the 17,071,101 Shares because of the proposed transaction relating to the reorganisation of the ownership interests in YLH.

(5) Each Ms. Wang, Mr. Chen (spouse of Ms. Wang), Kun Chang and Profit Global reported that there has been a change in nature of her/his/its interest in the 17,071,101 Shares because of the entry into a transaction relating to the proposed reorganisation of the ownership interests among the shareholders of YLH. Profit Global is a corporation controlled by Kun Chang. Directors and substantial shareholders of Kun Chang are all accustomed to act in accordance with the directions of Ms. Wang.

(6) Mr. Hsu Kenneth Kin reported that he first acquired notifiable interest in the 113,888,628 Shares because of the proposed transaction relating to the reorganisation of the ownership interests in YLH.

The Company will make appropriate disclosure upon receiving further notifications or disclosure of interests notices from the relevant parties following the Proposed Transactions to be approved by the CA.

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

DIRECTORS'/SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

The following transactions constituted continuing connected transactions of the Company which are subject to the requirements under Chapter 14A of the Listing Rules:

Continuing Connected Transactions

Continuing connected transactions with 上海翡翠東方傳播有限公司 ("TVBC"), announced on 21 March 2018

As announced on 21 March 2018, (i) TVBI Company Limited ("TVBI"), a direct wholly-owned subsidiary of the Company, entered into a licence agreement ("2018 Licensing Agreement") with TVBC in relation to the supply of the licensed programmes in the People's Republic of China ("PRC"), and (ii) TVBO Facilities Limited ("TVBO"), an indirect wholly-owned subsidiary of the Company, entered into a supply agreement ("2018 Supply Agreement") with TVBC in relation to the supply of the TV broadcasting and marketing materials in the PRC. As at the date of entering of the 2018 Licence Agreement and the 2018 Supply Agreement, TVBC was owned as to 55%* by the Company and hence a non wholly-owned subsidiary of the Company. Mr. Li Ruigang, the Vice Chairman and a Non-executive Director of the Company, could control more than 10% of the voting shares in TVBC. Accordingly, TVBC is a connected subsidiary of the Company and the entering into of the 2018 Licensing Agreement and the 2018 Supply Agreement constituted continuing connected transactions for the Company which are subject to the annual review, and reporting and announcement requirements under the Listing Rules. Details of the 2018 Licensing Agreement and the 2018 Supply Agreement are as follows:

(a) On 21 March 2018, TVBI and TVBC entered into the 2018 Licensing Agreement, pursuant to which TVBI agreed to supply during the period from 1 April 2018 to 31 March 2020 TVBC with the licensed programmes as selected by TVBC and grant an exclusive licence to TVBC, among other things, to broadcast and exhibit those selected licensed programmes on wireless TV, cable TV and satellite TV as well as all new media platforms, and (ii) to produce, distribute and sell the sound and video recordings of the Licensed Programmes (such as VCDs, DVDs and other storage media), within the PRC. The fee received by TVBI during 2019 was HK$191,070,150.

(b) On 21 March 2018, TVBO and TVBC entered into the 2018 Supply Agreement, pursuant to which TVBI agreed to supply during the period from 1 April 2018 to 31 March 2020 TVBC with the TV broadcasting and marketing materials relating to the Licensed Programmes as selected by TVBC under the 2018 Licensing Agreement. The fee received by TVBO during 2019 was HK$18,380,350.

All of the Independent Non-executive Directors of the Company having reviewed and confirmed the transactions described in paragraph above, was:

(i) in the ordinary and usual course of business of the Company and its subsidiaries;

(ii) either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on this page of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

* The Company's ownership of TVBC has changed from 55% to 70% since 9 November 2018.

Save as the information disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or a substantial shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during 2019.

PERMITTED INDEMNITY

Subject to the applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them shall or may incur or sustain in the execution of their duties or in relation thereto pursuant to the Articles. Such provisions were in force during the financial year ended 31 December 2019 and remained in force as of the date of this report. The Company has also arranged directors' liability insurance, to insure against any losses and liabilities incurred by Directors of the Company in their capacity as such.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 41 to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' EMOLUMENTS

Details of the remuneration of Directors for the year are set out in Note 27 to the consolidated financial statements.

DISCLOSURES PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

SMI Holdings Group Limited

As at 31 December 2019, the Group had provided the following financial assistance to SMI Holdings Group Limited ("SMI"), a company listed on the Stock Exchange (stock code: 00198) and an independent third party of the Group, which in aggregate exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and hence constituted an advance to an entity under Rule 13.13 of the Listing Rules:

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

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

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

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

  In May 2018, the Company subscribed for the Convertible Bonds which are secured by a share charge in respect of the entire share capital of SMI International Cinemas Limited, a wholly owned subsidiary of SMI, and bear an interest rate of 7.5% per annum payable semi-annually. The Convertible Bonds will mature in 2020 (extendable to 2021 by mutual agreement).

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

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

For details and the latest development of the above advances to SMI, please refer to the Company's announcement dated 2 May 2018. As at 31 December 2019, the outstanding principal of the above advances remained as US$106,000,000.

Imagine Tiger Television LLC

- As at 31 December 2019, the Group had provided other financial assistance to certain affiliated companies (as defined under the Listing Rules), which in aggregate exceeded 8% under the assets ratio. The financial assistance provided to Imagine Tiger Television LLC ("ITT") (a 50% owned joint venture of the Group) also constituted an advance to an entity under Rule 13.13 of the Listing Rules.
- In July 2017, the Group subscribed for the promissory note issued by ITT in the aggregate principal amount of US$66,666,667 ("Promissory Note"). The Promissory Note is unsecured and bears an interest rate of 12% per annum payable annually and will mature in July 2032. ITT may repay the outstanding principal under the Promissory Note in whole or in part from time to time, provided that any repayment during the period of four years from 26 July 2017 shall be subject to the prior approval of the board of directors of ITT. For details of the Promissory Note, please refer to the Company's announcement dated 26 July 2017. With effect from 1 July 2019, a conversion of the Group's equity contribution of US$7,741,579 into a loan to ITT was executed, which accumulated the Promissory Note to ITT with an amount of US$74,408,246 as at 31 December 2019.

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2019 are presented as follows:

	Combined statement of financial position HK$'000	The Group's attributable interest HK$'000
Non-current assets	3,753	1,251
Current assets	648,945	641,851
Current liabilities	(109,182)	(80,721)
Net current assets	539,763	561,130
Total assets less current liabilities	543,516	562,381
Non-current liabilities	(706,696)	(706,696)
Less: unrecognised share of loss	–	119,689
Net liabilities	(163,180)	(24,626)

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the Investment Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 93 to 102.

CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 84 to 109 of this Annual Report.

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, at least 25% of the Company's total issued share capital is held by the public at all times. At 25 March 2020, there were 382 shareholders on the Company's register of members.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentages of the Group's purchases and sales attributable to its five largest suppliers and five largest customers were both less than 30%.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the 2020 AGM.

On behalf of the Board

Li Ruigang
Vice Chairman

Hong Kong, 25 March 2020

CORPORATE GOVERNANCE REPORT

TVB's key corporate governance practices and activities during the year ended 31 December 2019 are set out in this Corporate Governance Report ("CG Report"), which has been prepared in accordance with the requirements of Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

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

The Company was in compliance with the code provisions of the Corporate Governance Codes under the Listing Rules ("CG Code") throughout 2019.

ENVIRONMENTAL AND SOCIAL STRATEGY AND REPORT

The Board has overall responsibility for the Company's environmental, social and corporate governance ("ESG") strategy and reporting. In line with the CG Code, the Board is responsible for evaluating and determining the Company's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

BOARD OF DIRECTORS

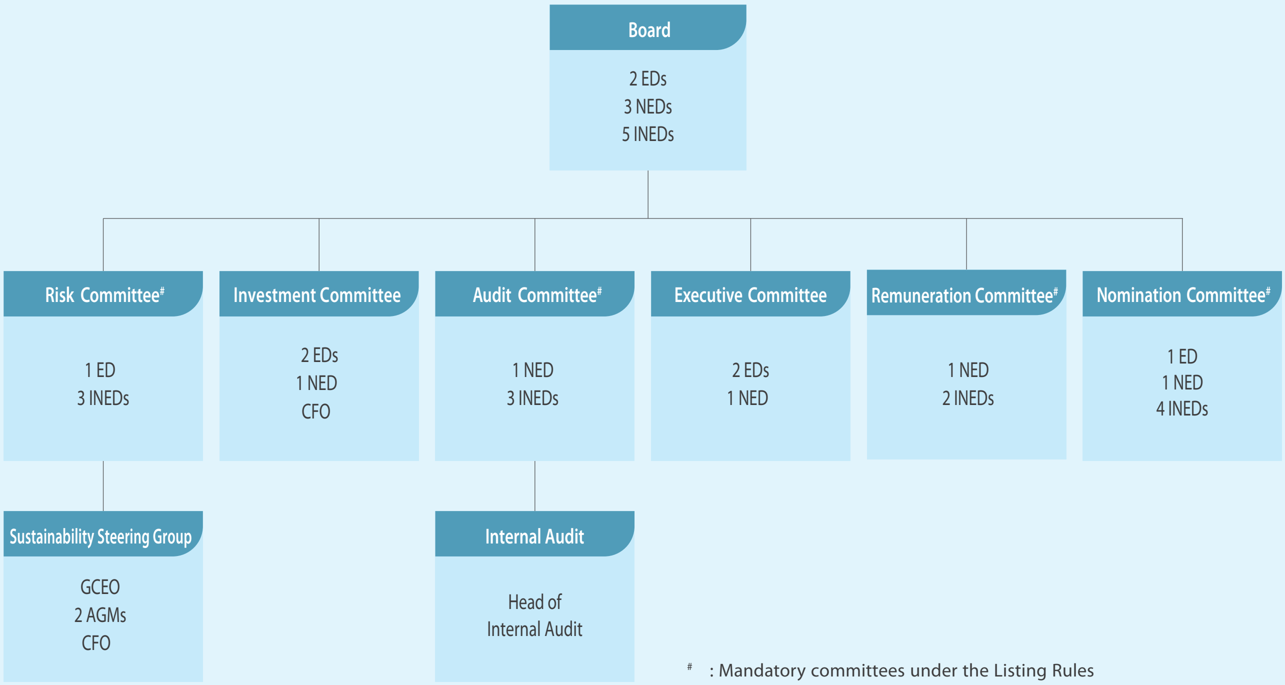
The Company is headed by an effective Board which is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner.

The Board is the highest governing body of the Company and is supported by six Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the Investment Committee.

The Board is responsible for development and review of the Company's policies and practices on corporate governance, review and monitoring of training and continuous professional development of Directors; the Company's policies and practices on compliance with legal and regulatory requirements; development, the code of conduct and compliance manuals applicable to employees and Directors; and the Company's compliance with the CG Code and disclosure in the CG Report.

COMPOSITION OF THE BOARD AND ITS COMMITTEES

The corporate governance structure of the Company at the date of this CG Report is as follows:



: Mandatory committees under the Listing Rules

Directors

ED : Executive Director

NED : Non-executive Director

INED : Independent Non-executive Director

Management

GCEO : Group Chief Executive Officer

AGM : Assistant General Manager

CFO : Chief Financial Officer

CORPORATE GOVERNANCE REPORT

The composition of the Board comprises of Executive Directors and Non-executive Directors (including the Independent Non-executive Directors) which together give the Board a balance of skills and experience necessary for the fulfilment of the Company's business objectives. The Independent Non-executive Directors provide independent views at the Board level, which enables an effective exercise of independent judgement.

All of the Board Committees report to the Board of Directors.

A list of the Directors of the Company is set out on page 71 and the biographical information of Directors are set out on pages 62 to 66 of this Annual Report.

BOARD DIVERSITY

The Board has adopted a Board Diversity Policy, which follows the practice as laid down by the Stock Exchange. The Board Diversity Policy contains measurable objectives for implementation, and monitoring and reporting on achieving its objectives.

Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

The full text of the Board Diversity Policy is set out on page 109 of this Annual Report and available on the Company's Website.

The Board has a total of 10 Directors

Executive Directors	Non-executive Directors
2	8 (including 5 INEDs)

Gender

Male	Female
8 (80%)	2 (20%)

Age Group

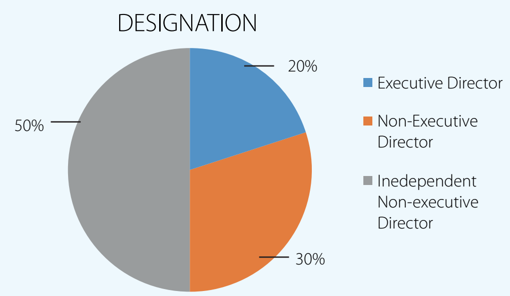
The number of Directors falling within the following age groups are:

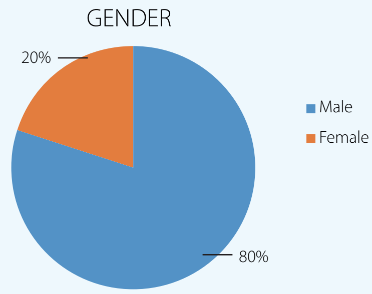
45-50	51-55	56-60	61-65	66-70	71-75
3	0	1	3	2	1

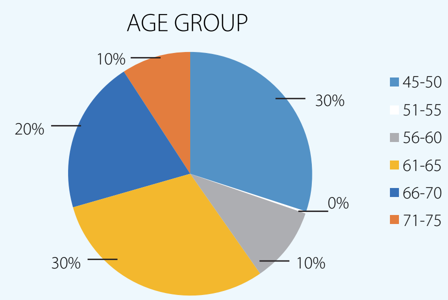
The average age of Directors is 60 years old.

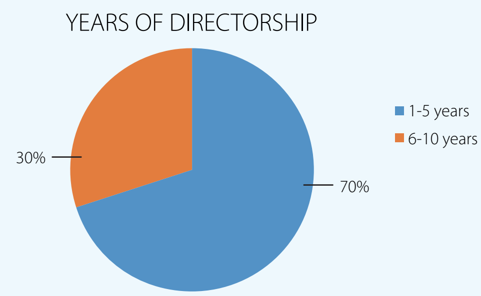
Years of directorship with TVB

1-5 years	6-10 years
7	3









The background of each member of the Board is as follows:

Director	Title	Background Professional/Expertise
Li Ruigang	Vice Chairman; Non-executive Director	Media and Entertainment
Mark Lee Po On	Executive Director; Group Chief Executive Officer	Management and Operations; Finance and Accounting
Thomas Hui To	Executive Director	Media and Entertainment, Investment
Anthony Lee Hsien Pin	Non-executive Director	Finance and Investment
Chen Wen Chi	Non-executive Director	Technology
William Lo Wing Yan	Independent Non-executive Director	Technology, Media and Telecommunications
Caroline Wang Chia-Ling	Independent Non-executive Director	Management and Technology
Allan Zeman	Independent Non-executive Director	Investment
Felix Fong Wo	Independent Non-executive Director	Legal and Regulatory
Belinda Wong Ching Ying	Independent Non-executive Director	Management and Operations

Directors have very diversified background, ranging from management; finance and accounting; finance and investment, legal and regulatory; media and entertainment to technology, which fit well with the Company's strategic objectives. The Nomination Committee considers that this board structure to be optimal for the Company and for its future development.

DIRECTORS' RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are collectively and individually responsible to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

To ensure that issues relating to conflict of interest are properly handled, Directors are requested to disclose information relating to any relationships which may give rise to areas of conflict of interest so that such matters can be dealt with in the proper manner by other independent directors. The Company Secretary keeps a register of disclosure of conflict for record purposes. Directors are in addition requested to provide a confirmation annually to the Company Secretary as to whether or not any such conflict of interest exists.

Board's power

The Board is empowered to set the strategic direction of the Company and monitor the performance of the Group's business and management; and, inter-alia, to ensure that a risk management framework is in place to enable the Company's risks be assessed and managed.

The Board exercises a number of reserved approval powers over matters which include:

- significant changes in accounting policies or capital structure;
- issuance of financial statements and public announcements;
- major acquisitions, disposals and capital projects;
- material borrowings and any issuing, or buying back, of equity securities;
- remuneration policy;
- annual group budget;
- dividend policy; and
- treasury policy.

Directors' Training

Each Director is kept abreast of his/her responsibilities as Director of the Company and of the conduct, business activities and development of the Company. Management provides monthly group management accounts, press releases and summary of press cuttings, and other information to Directors in a timely manner to keep them apprised of the Company's latest development, performance, position and prospects. In addition, Directors have independent access to members of Senior Management in respect of operational issues.

In order to keep Directors abreast of professional developments, the Company organises relevant trainings from time-to-time on updates of rules and regulations, market developments, and other topics, for example, investments and capital market issues.

In August 2019, the Company provided training session on the topic of an update on the key provisions of the Broadcasting Ordinance ("BO"), especially the provisions in relation to disqualified persons restrictions (defined in the BO). In addition, each Director was asked to provide to the Company a record of the training he/she received from other sources during the year for record and completeness purposes.

Board Changes

During the year and up to the date of this CG Report, the following changes to the composition of the Board and its Committees took place:

- At the 2019 AGM, Mr. Mark Lee Po On and Dr. Raymond Or Ching Fai retired and were successfully re-elected as Directors.
- On 3 December 2019, Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying were appointed as Independent Non-executive Directors of the Company.
- On 1 January 2020, Dr. Raymond Or Ching Fai and Mr. Cheong Shin Keong resigned as Independent Non-executive Director and Executive Director of the Company, respectively.
- On 4 February 2020, Dr. Charles Chan Kwok Keung resigned as Non-executive Director of the Company.
- On 12 February 2020, there were the following changes to the composition of various Board Committees:
  - Mr. Li Ruigang was appointed as a new member of the Executive Committee replacing Mr. Chen Wen Chi. Mr. Mark Lee Po On was re-designated as the chairman of the Executive Committee.
  - Mr. Felix Fong Wo was appointed as a new member of the Audit Committee.
  - Ms. Belinda Wong Ching Ying was appointed as the chairman of the Remuneration Committee, and both Mr. Li Ruigang and Mr. Felix Fong Wo were appointed as new members of the Remuneration Committee. Dr. William Lo Wing Yan retired from the Remuneration Committee.
  - Mr. Felix Fong Wo was appointed as the chairman of the Nomination Committee, and both Mr. Thomas Hui To and Ms. Belinda Wong Ching Ying were appointed as new members of the Nomination Committee.
  - Mr. Felix Fong Wo was appointed as the chairman of the Risk Committee. Dr. William Lo Wing Yan was re-designated as a member of the Risk Committee.
  - Mr. Anthony Lee Hsien Pin was re-designated as the chairman of the Investment Committee and Mr. Mark Lee Po On was appointed as a new member of the Investment Committee.

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

COMPOSITION OF THE BOARD AND MEMBERSHIPS OF ITS COMMITTEES

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

C: Chairman
M: Member

ATTENDANCE RECORDS OF DIRECTORS

The attendance (Note 2) records of Directors at the Board and its Committees' meetings and annual general meeting in 2019 are set out below (Note 1):

Directors	Board meetings	Executive Committee meetings	Audit Committee Meetings	Remuneration Committee meeting	Nomination Committee meetings	Risk Committee meetings	Investment Committee meetings	2019 AGM
Li Ruigang	6/6	–	–	–	–	–	–	1/1
Mark Lee Po On	6/6	21/21	–	–	–	2/2	–	1/1
Thomas Hui To	6/6	20/21	–	–	–	–	5/5	1/1
Anthony Lee Hsien Pin	6/6	–	4/4	–	2/2	–	5/5	1/1
Chen Wen Chi (Note 3)	1/6	0/21	–	–	–	–	–	0/1
William Lo Wing Yan	6/6	–	4/4	1/1	2/2	2/2	–	1/1
Caroline Wang Chia-Ling	6/6	–	3/4	–	–	2/2	–	0/1
Allan Zeman	6/6	–	–	–	2/2	–	–	1/1
Felix Fong Wo (Note 4)	N/A	–	–	–	–	–	–	N/A
Belinda Wong Ching Ying (Note 5)	N/A	–	–	–	–	–	–	N/A

Resigned Directors	Board meetings	Executive Committee meetings	Audit Committee Meetings	Remuneration Committee meeting	Nomination Committee meetings	Risk Committee meetings	Investment Committee meetings	2019 AGM
Charles Chan Kwok Keung	5/6	17/21	–	0/1	–	–	–	1/1
Cheong Shin Keong	6/6	18/21	–	–	–	2/2	–	1/1
Raymond Or Ching Fai	5/6	–	4/4	1/1	2/2	2/2	5/5	1/1

Notes:

1. Attendance ratio – Total numbers of meeting(s) attended/ Total number of meeting(s) held during 2019
2. Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Articles.
3. Mr. Chen Wen Chi attended one Board meeting during 2019 due to his tight business schedule. Although Mr. Chen could not attend most of the meetings in 2019, he confirmed that he had read monthly updates, articles and news of the Company. He had also discussed with fellow Directors the affairs of the Company during 2019.
4. Mr. Felix Fong Wo was appointed as Independent Non-executive Director of the Company on 3 December 2019. No Board meetings and general meetings were held following his appointment and up to 31 December 2019.
5. Ms. Belinda Wong Ching Ying was appointed an Independent Non-executive Director of the Company on 3 December 2019. No Board meetings and general meetings were held following her appointment and up to 31 December 2019.

BOARD MEETINGS AND RESOLUTIONS

During 2019, the Board dealt with the following matters through meetings and resolutions-in-writing:

Financial and Operational Performance

- approved the final results and recommended the final dividend for the year ended 31 December 2018;
- discussed the Company's position as a holder of the SMI Bonds and approved an impairment loss/ charge in the SMI bonds;
- reviewed the performance of the Group periodically;
- discussed the forecast results of the Group for the six months ended 30 June 2019;
- approved the interim results and the interim dividend for the six months ended 30 June 2019; and
- discussed and approved the budget of the Group for the year ending 31 December 2020.

Governance

- approved the formation of Special Taskforce (and its terms of reference) which was to advise the Board with respect to the recovery of the defaulted SMI bonds; and
- approved the appointment and resignation of Directors.

Shareholders Communications

- approved resolutions-in-writing allowing electronic means of receiving corporate communications and offering a choice of language of such information.

Capital Structure

- approved an open offer to purchase the issued 3.625% TVB Notes due 2021.

In August 2019, the Chairman of the Board, as required under the Listing Rules, held a meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors to discuss issues relevant to the Board. No matters of significance arose from this meeting between the Chairman and the Non-executive Directors.

Other Matters

All Directors have confirmed following enquiries that they had spent sufficient time on the affairs of the Company during the year ended 31 December 2019.

Based on the records of meetings, the Vice Chairman is of the view that the Board is working effectively, and is performing its duties efficiently.

The Company has, at its own cost and expense, taken out and maintained appropriate directors' liability insurance to insure against losses and liabilities, if any, incurred by the Directors of the Company in their capacity as such.

COMPANY SECRETARY

Biographical details of the Company Secretary can be found on page 67 of this report under Senior Management. During 2019, the Company Secretary attended all general meeting, Board, Board Committee, and Special Taskforce meetings.

All Directors have access to advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is tasked to ensure that Board procedures are followed, and that the Board is kept informed of developments of the Group.

In compliance with Rule 3.29 of the Listing Rules, the Company Secretary has confirmed that he had undertaken over 15 hours of training during the year ended 31 December 2019.

PROCEEDINGS OF THE BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board holds meetings in person on pre-scheduled dates and the draft timetable for meetings for the following year is circulated for comment at the end of each calendar year. Notices of Board meetings are despatched well in advance of each meeting. The agendas of Board meetings are approved by the Chairman or in the case that the position of Chairman is vacant, the Vice Chairman of the Board, and all Directors are given the opportunities to propose agenda items for consideration at meetings. The Board is provided with adequate and timely information about the Company's business and developments before each meeting to enable active participation and discussions. Before each meetings, draft minutes of the previous meeting are circulated and commented on by Directors, before they are approved by the Chairman or the Vice Chairman.

Pursuant to the Articles, a resolution-in-writing signed by all the Directors shall be regarded as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. However, if a Director has a conflict of interest in any matter to be considered by the Board which it has determined to be material, such a matter will be dealt with by a physical meeting, rather than in a resolution-in-writing.

Proceedings of Board Committee meetings are governed by provisions in the Articles for regulating the proceedings of meetings of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

The Company has adopted stringent procedures for the appointment of INEDs and the continuous requirement to monitor their independence.

Before and on Appointment

- Nomination Committee will follow the Nomination of Directors Policy (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) and the Diversity Policy, and an assessment of the independence of candidates; and
- The candidate for INED is required to confirm with the Stock Exchange his/her independence, having regard to the criteria under Rule 3.13 of the Listing Rules upon appointment.

On-going Process

- Each of the INED is required to inform the Stock Exchange and the Company, as soon as practicable, if there is any change in his or her own personal particulars that may affect his/her independence.
- The INEDs are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis.
- All Directors have continuing duty to update the Company on any changes to their other appointments which will be reviewed by the Company.

Annual Assessment

- Each of the INED is required to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules.
- Nomination Committee will assess and review the independence of the INEDs annually.

There is a total of five INEDs on the Board, namely, Dr. William Lo Wing Yan, Professor Caroline Wang Chia-Ling, Dr. Allan Zeman, Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying. This number fulfills the requirement of a minimum of three independent non-executive directors as prescribed under Rule 3.10(1) of the Listing Rules and represents over one-third of the composition of the Board of Directors, as prescribed under Rule 3.10A of the Listing Rules. It is considered that the majority of the INEDs possesses related financial management expertise.

Each of the INED (including Dr. Raymond Or Ching Fai who resigned as INED on 1 January 2020) has given the Company a confirmation of his/her independence. The Nomination Committee had reviewed on 26 February 2020, by reference to the guidelines set out in Rule 3.13 of the Listing Rules the independence of each of these Directors, and considered that all INEDs are independent.

The INEDs carried out an annual review of the continuing connected transactions of the Company during the year.

RELATIONSHIPS BETWEEN DIRECTORS

The Directors have no relationships (including financial, business, family or other material/relevant relationships) among themselves, save for the fact that Dr. Charles Chan Kwok Keung (the former Chairman and former Non-executive Director of the Company) together with Mr. Li Ruigang (Vice Chairman and a Non-executive Director of the Company) and Ms. Wang Hsiueh Hong (Spouse of Mr. Chen Wen Chi, a Non-executive Director of the Company) are indirect shareholders of Shaw Brothers which directly holds 26% of the shareholding interest of the Company. In January 2020, the parties had reported a proposed change relating to the reorganisation of the ownership interests among the shareholders of Young Lion Holdings Limited. Upon completion of the proposed change, Dr. Charles Chan Kwok Keung will cease to be interested in any shares in the Company.

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

Pursuant to the Articles, all Directors shall be subject to retirement and re-election. Any Director (including Non-executive Directors) appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company, and shall then be eligible for election at such a meeting. Thereafter, they shall be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles. None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

The Company had issued a letter of appointment to document the key terms of appointment of each Director. A set of "TVB Directors' Manual" containing the Articles, the TVB CG Code, the Model Code and notification procedures, terms of reference of the respective Board Committees, and certain internal policies and rules update and the guidelines issued by the regulatory and professional bodies in respect of their duties is provided to all Directors upon joining the Board. In addition, the Company offers formal induction training to Directors upon their appointment.

In accordance with Article 117(A) of the Articles, Mr. Li Ruigang will retire at the 2020 AGM and, being eligible, offer himself for re-election at the 2020 AGM.

In accordance with Article 112 of the Articles, Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying, who were appointed by the Board as Directors of the Company in December 2019, shall hold offices as Directors of the Company until the next general meeting of the Company and, being eligible, offer themselves for election at the 2020 AGM.

Details of the Directors, who are subject to election and re-election at the 2020 AGM, are set out in the notice of the 2020 AGM which will be sent to Shareholders of the Company.

SEGREGATION OF DUTIES BETWEEN THE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Group Chief Executive Officer of the Company are segregated and clearly defined, as set out in the TVB CG Code.

Dr. Charles Chan Kwok Keung, Chairman and Non-executive Director, resigned on 4 February 2020 due to his retirement. Mr. Li Ruigang, Vice Chairman, has taken over duties and matters relating to the Chairman in the interim.

Mr. Mark Lee Po On, Executive Director and Group Chief Executive Officer of the Company is the pinnacle of the management structure. He is responsible for implementing and reporting to the Board on the implementation of the Company's strategies; overseeing the realisation by the Company of the objectives set by the Board; and providing the necessary information for the Board to monitor the performance of Management.

DIRECTORS' SECURITIES TRANSACTIONS

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code, 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.

DELEGATION TO MANAGEMENT

The Board has formalised the functions delegated to Senior Management and reviews such arrangements on a periodic basis. Senior Management is charged with the following responsibilities:

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of Senior Management; and
- discharging duties and authorities as may be delegated by the Board.

The Executive Directors on the Board provide the necessary linkage between the Board and Senior Management.

SPECIAL TASKFORCE FOR THE DEFAULTED SMI BONDS

The shares of SMI Holdings Group Limited ("SMI") were suspended from trading on the Stock Exchange in September 2018 triggering the default of the Company's investment in the US$23 million 9.5% unsecured redeemable fixed coupon bonds due 2020 and the US$83 million 7.5% secured redeemable convertible bonds due 2020 issued by SMI ("SMI Bonds").

A special task force of the Board ("Special Taskforce") was formed on 20 March 2019 to consider all available options in recovering the amounts invested in the SMI bonds.

Composition	Committee Members
Independent Non-executive Directors, Non-executive Director, and Executive Director	Professor Caroline Wang Chia-Ling, INED Dr. Allan Zeman, INED Anthony Lee Hsien Pin, NED Thomas Hui To, ED

Since its formation, the Special Taskforce worked expeditiously with its advisers and the Company on enforcement and recovery actions with the objective to maximise the recovery. The Special Taskforce, in particular:

- retained the services of Mayer Brown and Ernst & Young ("E&Y") to assist it with its deliberations and to provide it with special legal and accounting expertise;
- instructed E&Y to solicit possible offers from potential interested buyers of the SMI Bonds;
- reviewed the legal advice from Mayer Brown at various stages of discovery of information relating to the undisclosed share pledges, and considered options available to the Company with respect to legal enforcement and protection of the rights of the Company as holder of the SMI Bonds;
- considered indicative interest received from a possible buyer of the SMI Bonds and evaluated it against the options available to the Company; and
- reported to the Board its view on the prospect of recovery.

BOARD COMMITTEES

The Board is supported by six Board Committees, namely:

- Executive Committee;
- Audit Committee;
- Remuneration Committee;
- Nomination Committee;
- Risk Committee; and
- Investment Committee.

Each of them has defined terms of reference covering its authority, duties and functions. The terms of reference of these six Committees are available on the website of the Stock Exchange (www.hkexnews.hk, "Exchange's Website") and the Company's Website.

The Company fully supports the Board Committees to perform their respective duties. The Board Committees, through their respective chairmen, report to the Board on their work, decisions and recommendations.

EXECUTIVE COMMITTEE

The Executive Committee has been delegated by the Board with the powers in the oversight of the management of the business and affairs of the Company. The terms of reference including the major roles and functions of the Executive Committee is set out in the Company's Website.

COMPOSITION AND WORK DONE

The Executive Committee comprises three members.

Composition	Committee Members
Executive Directors and Non-executive Director	Mark Lee Po On, ED (chairman) (Note 1)
	Thomas Hui To, ED
	Li Ruigang, NED (Note 2)

Note 1: Chairman of the Executive Committee since 12 February 2020

Note 2: Member of the Executive Committee since 12 February 2020

Note 3: Dr. Charles Chan Kwok Keung (former NED) ceased as chairman of the Executive Committee on 4 February 2020, Mr. Cheong Shin Keong (former ED) and Mr. Chen Wen Chi (NED) ceased as members of the Executive Committee on 1 January 2020 and 12 February 2020, respectively.

During 2019, the Executive Committee held a total of 21 meetings and passed one resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Group's management accounts and interim and final reporting packages and budgetary information;
- reviewed the Group's cash position and treasury function at its regular meetings;
- reviewed the investment policies and the yield enhancement measures taken on the cash balances and the investment portfolio;
- made recommendations to the Board for dividends;
- considered and approved of financial commitments or undertakings whether capital or operating expenditure over the amount of HK$20 million; and
- considered and approved other Group's routine corporate matters, such as enforcement actions and general banking matters.

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities in independently reviewing and supervising the financial reporting and the effectiveness of the system of internal controls of the Company and its subsidiaries; reviewing the objectivity and the effectiveness of the audit process in accordance with applicable standards; and reviewing the appointment of external auditor and ensuring its independence. The terms of reference including the major roles and functions of the Audit Committee is set out in the Company's Website.

COMPOSITION AND WORK DONE

The Audit Committee has four members, 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. Therefore, the Company complies with the requirement under Rule 3.21 of the Listing Rules. Membership of the Audit Committee is set out below.

Composition	Committee Members
Majority of INEDs	Dr. William Lo Wing Yan, INED (chairman)
	Anthony Lee Hsien Pin, NED
	Professor Caroline Wang Chai-ling, INED
	Felix Fong Wo, INED (Note 1)

Note 1: Member of the Audit Committee since 12 February 2020

Note 2: Dr. Raymond Or Ching Fai (former INED) ceased as member of the Audit Committee on 1 January 2020

During 2019, the Audit Committee held four meetings and dealt with, inter-alia, the following matters:

- reviewed accounting principles and practices;
- reviewed developments in the accounting standards and assessed their potential impacts on the financial statements of the Company;
- reviewed draft financial statements and results announcements, and agreed with the auditors on their expression of the audit qualifications in the audit report;
- reviewed draft interim and annual reports;

- considered the proposed scope and approach of the external audit;
- reviewed and discussed audit findings and significant issues;
- reviewed the adequacy and effectiveness of the Group's system of internal controls;
- made recommendation to the Board regarding re-appointment and remuneration of the external auditor;
- reviewed the continuing connected transactions entered into by the Company; and
- received the Review of Risk Management and Internal Control Report prepared by Internal Audit and considered and discussed the macro risks faced by the Company and the appropriate mitigating measures.

During 2019, the Audit Committee reviewed with Management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the interim financial information and the annual consolidated financial statements before such statements were presented to the Board for approval.

PricewaterhouseCoopers is the external auditor of the Company. As required under the CG Code, the Audit Committee held a meeting with PricewaterhouseCoopers, in the absence of management, to discuss matters relevant to the audit. No matter of significance arose from this meeting.

The reporting responsibilities of PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 135 to 139 of this Annual Report.

WHISTLEBLOWING POLICY

The whistleblowing policy and procedures have been established by the Board since 2012 to allow employees of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in financial reporting, internal control or other matters. These procedures are also available to external parties who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

During 2019, no matters were raised by employees or external parties to the Audit Committee under the whistleblowing procedures.

RISK MANAGEMENT AND INTERNAL CONTROLS

RESPONSIBILITY

The Board acknowledges that it has overall responsibility in establishing an appropriate risk management and internal control systems on an ongoing basis, and reviewing their effectiveness from time to time to enhance the Group's ability in achieving its strategic objectives, safeguarding assets, complying with applicable laws and regulations and contributing to the effectiveness and efficiency of its operations. The Group's risk management and internal control systems are designed to provide reasonable, rather than absolute, assurance against material misstatement or loss and manage rather than eliminate the risks of failure in operational systems and fulfillment of its business objectives.

RISK MANAGEMENT

The Risk Committee is delegated by the Board to oversee and manage all identified major business and operational risks on an ongoing basis (including ESG-related risks). During 2019, the Risk Committee met twice to discuss strategic and major operational risks faced by the Group and the related mitigation action plans. The major roles and functions of the Risk Committee are set out in "Risk Committee" section on pages 97 to 98.

RISK MANAGEMENT PROCESS AND APPROACH

The risk management process of the Group involves risk identification, analysis, evaluation, estimation, mitigation, reporting and monitoring. The methodology adopted in risk identification and assessment process involves top-down and bottom-up approaches. The top-down approach involves identification of major strategic risks that will prevent the Group from achieving its strategic objectives. To identify major risks, a risk universe containing different types of strategic, operational, compliance and financial risks is created. Through a risk filtering process and risk assessment interviews with senior management and key business heads, major risks are identified for reporting and monitoring. At functional level, a bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations.

ANNUAL REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the year, the Board, through the Audit Committee, had conducted a review of effectiveness of the Group's risk management and internal control systems, covering all material financial, operational and compliance controls, and assessed the adequacy of resources, qualification and experience of staff of the Group's accounting, financial reporting and internal audit function, and their training programmes and budget ("Review").

A project team was set up during the year to facilitate the Review. This Review was performed by way of risk assessment interviews with senior management to evaluate major strategic risks faced by the Group and the related mitigation actions. In addition, detailed risk and control self-assessment were conducted by the heads of all key business units to assess whether the design and functioning of these control systems at operational level are sufficient to mitigate the operational risks identified.

Based on the outcome of the Review, the Board is satisfied that the Group has established and maintains appropriate and effective risk management and internal control systems.

INTERNAL AUDIT AND MONITORING CONTROLS

The Group advocates the principle of maintaining good corporate governance and the importance of creating the right tone in the organisation, influencing control consciousness of its employees, with emphasis on factors such as integrity, ethical values, competence, responsibility and authority.

To assist the Board in its monitoring control function, an internal audit department ("Internal Audit") was set up in 2008 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group's business operations. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on audit matters. Other key principles, including the principles of accountability and objectivity, under which Internal Audit is refrained from involving in daily operations being audited, have been firmly established in the Group's Internal Audit Charter approved by the Audit Committee.

Internal Audit performed its independent reviews of different financial, business and functional operations and activities using a risk based approach to focus on areas of major risks as identified by a comprehensive risk analysis. Division or department heads and the management concerned will be notified of all control deficiencies for rectification within a set time frame.

Other Key Elements of Risk Management and Internal Controls

The other key elements and processes that have been established by the Group to provide effective risk management and internal control systems include:

- Clear organisation structure with well-defined lines of responsibilities from the Board to Board Committees, management and the heads of operating subsidiaries/divisions are established.
- Policies and procedures are established for business operations of the Group to facilitate ongoing identification of emerging risk events, define appropriate risk responses and contain risks within the Group's risk appetite.
- Comprehensive monthly management reporting systems are in place to provide financial and operational performance data to management. Variances from targets are analysed, explained and improvement actions are taken, if necessary, to rectify deficiencies.
- All employees of the Group can file their complaints about material risk issues, transactions or improprieties directly to the Audit Committee pursuant to the whistle-blowing procedure. This whistle-blowing procedure is independent of management.
- All employees are bound by TVB Code of Ethics to keep inside information in strict confidence and are

not permitted to disclose it without authorization. All employees are also refrained from accepting personal benefits through their power and authority derived from their positions.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the Group's auditors on an annual basis. The fees for audit and non-audit services have been reviewed and approved by the Audit Committee and endorsed by the Board. The fees for audit and non-audit services charged to the consolidated income statement of the Group are set out as follows:

Fees for audit services

	2019 HK$'000	2018 HK$'000
Company	2,276	2,159
Subsidiaries	3,177	3,624
Total	5,453	5,783
Fees payable to PricewaterhouseCoopers, The principal auditor	4,580	4,928

Fees for non-audit services

	2019 HK$'000	2018 HK$'000
Company	426	614
Subsidiaries	2,629	2,087
Total	3,055	2,701
Fees payable to PricewaterhouseCoopers, The principal auditor (Note 1)	2,631	2,226

Note:

1 Non-audit services rendered by PricewaterhouseCoopers to the Group in 2019 included principally professional fees in relation to tax compliance and advisory services on cyber security assessment, which is separate from the team responsible for the Group's audit.

The Audit Committee had reviewed the non-audit services rendered by PricewaterhouseCoopers, the principal auditor, during 2019 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

RISK COMMITTEE

The Risk Committee is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, and in ensuring that the Company establishes and maintains sound, appropriate and effective risk management and internal controls systems. The terms of reference including the major duties and functions of Risk Committee is set out in the Company's Website.

COMPOSITION AND WORK DONE

The Risk Committee comprises four members, the majority of whom are Independent Non-executive Directors of the Company. Membership of the Risk Committee is set out below.

Composition	Committee Members
Majority of INEDs	Felix Fong Wo, INED (chairman) (Note 1)
	Dr. William Lo Wing Yan, INED (Note 2)
	Professor Caroline Wang Chai-ling, INED
	Mark Lee Po On, ED

Note 1: Chairman of the Risk Committee since 12 February 2020.

Note 2: Chairman of the Risk Committee up to 11 February 2020 and re-designated as a member on 12 February 2020.

Note 3: Mr. Cheong Shin Keong (former ED) and Dr. Raymond Or Ching Fai (former INED) ceased as members of the Risk Committee on 1 January 2020.

During 2019, the Risk Committee held two meetings and dealt with the following matters:

- Received a report from the Internal Audit Department of the Group on the key risks and the mitigation actions taken by Management, together with a presentation of the key risks in the form of a risk map. Through this report, the Risk Committee concurred with Management with the principal risks identified and the mitigating actions taken;

- Discussed data protection and cyber security measures across the Group and adequacy of the current procedures; and
- Reviewed the interim and the full year ESG reports from the Sustainability Steering Group of Management and reviewed the progress made by Management on environmental, social and governance matters for the six months ended 30 June 2019 and the year ended 31 December 2019 respectively.

PRINCIPAL RISKS

The Group is facing a number of principal risks and uncertainties that, if not property managed, could create an exposure for the Group. Through discussions with Management, the following major risks have been identified and discussed at a Risk Committee meeting.

The Risk Committee has reviewed the principal risks along with Management and regards the following risks as the top risks affecting its operations. During the year and post the year end, new risks emerged which could present significant impact on our business.

Risk Category	Description	Control Measures Undertaken
i. Political Risks	Since anti-government protests began in June 2019, TVB has been under threat and attacks by radical protestors with the view to disrupt its business:	
	• Threatened advertisers/clients to withdraw business; • Caused disturbance at TVB organized promotional events; • Threatened to damage TVB properties, including office building and hilltop transmission sites;	• Urged the Government to take actions against online threats; • Tightened security measures at outdoors events. • Tightened security measures at TVB compound. • Implemented back-up plan to ensure continuity of broadcast in the event that transmission sites are damaged.
	• Harassed and attacked news crew and properties during coverage of riots.	• Increased safety protection of news crew. • Implemented staff retention measures to boost morale.
ii. Health and Business Disruption Risks	Widespread outbreak of coronavirus is threatening staff's health and has been disrupting normal businesses operations.	• Measures implemented included work-from-home arrangements; mandatory temperature checks upon entering company's compound; intensified disinfection and cleaning; declaration of staff's recent overseas travel history, and that of his/her close family members.

Risk Category	Description	Control Measures Undertaken
iii. Business/market	Technological disruption is affecting viewership in terrestrial TV channels. Terrestrial TV is experiencing gradual decline in viewership as many are opting for non-terrestrial TV platforms, such as the internet and mobile services.	• Launched OTT service in 2016 to compensate the loss of viewership from terrestrial. • Launched social media platform in 2017 paving way for digital marketing.
iv. Business Operating Process	Declining quality of drama serials due to loss of experienced script writers to other markets such as Mainland China.	• Strengthened the resources to raise production quality by retaining experienced script writers; by improving the hardware for production; by raising production budgets with the view to build a more sustainable pipeline.
v. Business/market	Erosion of intellectual property due to piracy. Pirated devices such as TV Pad and other illicit over-the-top boxes have been widely available across our markets and have damaged TVB business overseas.	• Continued on-going efforts to combat piracy problems by working with law enforcers in Hong Kong and other markets and taking vigorous legal actions.
vi. Artistes Resources	Supply of popular artistes for drama production.	• Strengthened control over approval for artistes to perform outside TVB. • Ensured stable supply of talent by talent sourcing through pageants; organising more training, etc.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for formulating remuneration policy for Senior Management, making recommendations on annual remuneration review and determining remuneration of Executive Directors and members of Senior Management. The terms of reference including the major roles and functions of the Remuneration Committee is set out in the Company's Website.

Composition	Committee Members
Majority of INEDs	Belinda Wong Ching Ying, INED (chairman) (Note 1)
	Li Ruigang, NED (Note 1)
	Felix Fong Wo, INED (Note 1)

Note 1: Chairman or members of the Remuneration Committee since 12 February 2020.

Note 2: Dr. William Lo Wing Yan (INED) retired as member of the Remuneration Committee since 12 February 2020.

Note 3: Dr. Raymond Or Ching Fai (former INED) ceased as chairman of the Remuneration Committee on 1 January 2020. Dr. Charles Chan Kwok Keung (former NED) ceased as member of the Remuneration Committee on 4 February 2020.

THE REMUNERATION POLICIES

The key elements of the Group's remuneration policies are:

– remuneration should be set which is commensurate with pay levels in the market;

– remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the industry and the business; and

– no individual should determine his/her own remuneration.

COMPOSITION AND WORK DONE

The Remuneration Committee comprises three members, majority of whom are Independent Non-executive Directors of the Company, and its membership is set out in the table on page 89.

During 2019, the Remuneration Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed and approved the discretionary bonus pool to members of senior executives for 2019;
- reviewed and approved the specific discretionary bonus to individual members of Senior Management for 2019; and
- reviewed the fee levels for Chairman, Vice Chairman, Directors and the Board Committees, by benchmarking with other listed companies in Hong Kong.

REMUNERATION OF DIRECTORS

All Directors are entitled to a fixed Director's fee which fee was recommended by the Remuneration Committee, determined by the Board and approved by Shareholders.

The Chairman of the Board is remunerated by a fixed Chairman's fee. The Vice Chairman of the Board is remunerated by a fixed Vice Chairman's fee.

Executive Directors are remunerated by way of a fixed Director's fee, salaries and other incentives, such as discretionary bonuses (which are determined and approved in recognition of their performance and contributions to the Company).

Non-executive Directors are remunerated by a fixed Director's fee and the relevant Board Committee fees, if they also serve on those committees.

Any increases in Chairman's fee, Vice Chairman's fee and/or Director's fee shall be recommended and proposed by the Board and approved by Shareholders at general meetings. Any increases in fees to the chairman or members of the Board Committees shall be approved by the Board of Directors.

The annual fee paid/payable to the Directors for serving on the Board and the additional annual fees paid to Directors for serving on the Board Committees for the year ended 31 December 2019 and the year ending 31 December 2020 are set out below. At the meeting of the Remuneration Committee, the Committee resolved that there will no increase in fees of the Chairman, the Vice Chairman, the Directors and the Board Committees for the year ending 31 December 2020, having taken into account of the financial performance of the Company. Therefore, the Directors' fees and the Board Committee fees have been frozen for three consecutive years i.e. 2018, 2019 and 2020.

Individual Director serving	2020 Annual fees HK$	2019 Annual fees HK$
Board of Directors		
Chairman	300,000	300,000
Vice Chairman	280,000	280,000
Executive and Non-executive Directors	260,000	260,000
Executive Committee		
Chairman	195,000	195,000
Members	150,000	150,000
Audit Committee		
Chairman	190,000	190,000
Members	130,000	130,000
Remuneration Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Nomination Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Risk Committee		
Chairman	70,000	70,000
Members	55,000	55,000
Investment Committee		
Chairman	70,000	70,000
Members	55,000	55,000

REMUNERATION OF SENIOR MANAGEMENT

Members of Senior Management are remunerated by way of salaries and other incentives, such as discretionary bonuses. The Remuneration Committee considers their performance and contribution to the Company as well as the market environment when assessing the annual bonus amounts for the members of Senior Management. In view of the financial performance of the Company, the Remuneration Committee approved that, having taken into account of the performance of the individual members of Senior Management, the discretionary bonuses for the year ended 31 December 2019 be determined at 50% of the amounts paid for the year ended 31 December 2018.

NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, and for determining the policy for nomination of Directors, the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship. The terms of reference including the major roles and the functions of the Nomination Committee are set out in the Corporate's website.

COMPOSITION AND WORK DONE

The Nomination Committee comprises six members, the majority of whom are Independent Non-executive Directors of the Company and its membership is set out in the table on page 89.

Composition	Committee Members
Majority of INEDs	Felix Fong Wo, INED (chairman) (Note 1)
	Thomas Hui To, ED (Note 1)
	Anthony Lee Hsien Pin, NED
	Dr. William Lo Wing Yan, INED
	Dr. Allan Zeman, INED
	Belinda Wong Ching Ying, INED (Note 1)

Note 1: Chairman or members of the Nomination Committee since 12 February 2020.

Note 2: Dr. Raymond Or Ching Fai (former INED) ceased as chairman of the Nomination Committee on 1 January 2020.

During 2019, the Nomination Committee held two meetings which dealt with, inter-alia, the following matters:

- reviewed the Board composition;
- made recommendations to the Board on the appointment of INEDs;
- reviewed the independence of the INEDs; and
- reviewed and made recommendations to the Board on the re-election of Directors at the 2019 AGM.

Pursuant to the Listing Rules amendment which took effect on 1 January 2019, the terms of reference of the Nomination Committee to undertake that it shall identify of individuals suitably qualified to become board members and select through the policy for nomination of Directors. The Company adopted the Nomination of Directors Policy in December 2018, which is set out on pages 107 to 108 in this Annual Report.

NOMINATION OF DIRECTORS

For considering the appointment of directors, the Nomination Committee identifies individuals suitably qualified to become Board members and select through the Nomination of Directors Policy, including the nomination procedures and criteria for selection and diversity policy, or make recommendations to the board on the selection of individuals nominated for directorship.

The Nomination Committee makes reference to criteria including, inter-alia, reputation for integrity, accomplishment and experience in the industry, time commitment, relevant interest, diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and independence (for INED only) in assessing the suitability of a proposed candidate.

REVIEW OF THE BOARD COMPOSITION

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee shall give adequate consideration to the following principles in carrying out its responsibilities in reviewing the Board composition:

- The Board should have a balance of skills, and experience and diversity of perspectives appropriate to the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including INEDs) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number in order for their views to carry weight.

- There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. The Company must explain the reasons for the resignation or removal of any director.

The Nomination Committee has considered the said principles when reviewing the Board composition. It has also considered the diversity of the Board and considered that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

INVESTMENT COMMITTEE

The Investment Committee was established on 22 August 2018 for the purposes of review the Company's portfolio of marketable securities and monitor its performance on a regular basis. The terms of reference including the major roles and functions of the Investment Committee is set out in the Corporate's Website.

COMPOSITION AND WORK DONE

The Investment Committee comprises four members with NED as its chairman, two EDs and CFO and its membership is set out in the table on page 89.

Composition	Committee Members
Non-executive Director, Executive Directors and Senior Management	Anthony Lee Hsien Pin (chairman) (Note 1) Mark Lee Po On, ED (Note 2) Thomas Hui To, ED Adrian Mak Yau Kee, CFO

Note 1: Chairman of the Investment Committee since 12 February 2020.

Note 2: Member of the Investment Committee since 12 February 2020.

Note 3: Dr. Raymond Or Ching Fai (former INED) ceased as the chairman of the Investment Committee on 1 January 2020.

During 2019, the Investment Committee held five meetings which dealt with, inter-alia, the following matters:

- reviewed the bond portfolio of the Company;
- reviewed and revised the treasury management guidelines; and
- reviewed the report from investment manager for the Company's investment portfolio and reported to the Board.

The Investment Committee has appointed UBS AG as its investment adviser to assist in its review of the Company's investment portfolio. UBS AG attends all meetings of the Investment Committee to answer questions from the Investment Committee.

The attendance records of Directors at all Committee meetings in 2019 are set out in the table in this CG Report on page 89.

ENGAGEMENT WITH SHAREHOLDERS

CORPORATE COMMUNICATION

DISCLOSURE OF INFORMATION

The Company adopted a policy of disclosing relevant information to shareholders and the public in a timely manner:

1. the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's Website and the Corporate's Website;
2. the Company maintains a library of corporate information, including announcements, circulars and financial reports at the Corporate's Website for reference purpose;
3. the Company provides a forum at the annual general meetings for shareholders to meet and communicate with management; and
4. reports and circulars are distributed to all registered shareholders

The Board is vested with the responsibility to disseminate to shareholders and the public any inside information in the form of announcements and circulars, in accordance with the Listing Rules.

The Company maintained a Company's Website namely, www.corporate.tvb.com to provide a search engine for the news and information of the Company and its subsidiaries.

GENERAL MEETINGS

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the Corporate Governance Code.

Pursuant to the Listing Rules, notice of annual general meeting is sent to all shareholders at least 20 clear business days before the meeting, and at least 10 clear business days for all other general meetings setting out details of each proposed resolution, poll procedures and other relevant information.

Voting by poll is mandatory at all general meetings except where the chairman of a general meeting, in good faith, decides to allow a resolution which purely relates to a procedural and administrative matter (as defined under the Listing Rules) to be voted on by a show of hand.

The chairman of a general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. Poll results are released on the Exchange's website and the Corporate's Website, in accordance with the requirements under the Listing Rules.

Separate resolutions are proposed for each substantially separate issue and are voted by poll at the general meetings. The Chairman of the Board shall attend the annual general meeting and shall invite the chairman of the Board Committees to attend and they should be available to answer questions at the meeting.

Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Management shall ensure the external auditor attends the annual general meeting to answer the questions about the audit.

RELATIONSHIPS WITH SHAREHOLDERS

The Board is committed to maintaining a high degree of corporate transparency, as well as employing a policy of open communication with shareholders. The Company ensures that information is appropriately disseminated to shareholders on a timely basis in compliance with the Listing Rules.

At the Company's annual general meetings, shareholders are provided with an opportunity to communicate face-to-face with the Directors, reflecting the Board's commitment to provide a high degree of accountability.

At semi-annual results briefing sessions following the release of results, Senior Management presents and discusses with securities analysts the Company's financial performance and business strategies.

There was no change to the Company's constitutional documents during 2019.

The Company has designated the Head of Investor Relations to provide a two-way communication between management and the investment community to update investors and analysts on business strategies and developments, as well as to collect market feedback and opinion. Such communication would include face-to-face meetings at the Company's premises or at investment conferences organised by investment banks in Hong Kong or abroad and/or conference calls. In addition, the Company had initiated non-deal roadshows to build a two way communications with a wider investor group. Other officers of the Company may participate in meetings to further strengthen the market's understanding of the Company's businesses.

The Company has assigned an email account ir@tvb.com.hk for communication with shareholders. Furthermore, the Company keeps its website www.corporate.tvb.com up-to-date with press releases and announcements for easy access by shareholders.

2019 ANNUAL GENERAL MEETING

The 2019 AGM was held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 22 May 2019 at 4:00 p.m. The total number of shares entitling the holders to attend and vote on all of the resolutions at the AGM was 300,026,121 shares, representing approximately 68.5% of the total number of shares of the Company.

The matters proposed and resolved at the 2019 AGM were as follows:

- received and adopted the Audited Financial Statements and the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2018
- declared the final dividend for the year ended 31 December 2018
- re-elected retiring Directors Mr. Mark Lee Po On and Dr. Raymond Or Ching Fai by separate resolutions
- re-appointed PricewaterhouseCoopers as the auditor of the Company and authorise Directors to fix its remuneration
- granted a general mandate to Directors to issue 5% additional shares
- granted a general mandate to Directors to repurchase 5% issued shares
- extended the authority given to the Directors under resolution to shares repurchased under the authority under resolution to general mandate
- extended the book close period from 30 days to 60 days

2020 ANNUAL GENERAL MEETING

The 2020 AGM has been scheduled to take place at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 27 May 2020.

COVID-19

At the date of this Annual Report, the coronavirus situation in Hong Kong is still developing and the situation at the time of 2020 AGM is difficult to predict.

In the event that the coronavirus situation deteriorates and requires the date and venue of the 2020 AGM to be changed, Shareholders will be notified of the revised arrangement and further announcement will be made by the Company on the Company's Website (http://www.corporate.tvb.com) and the Exchange's Website (www.hkexnews.hk). Shareholders are advised to read the Company's announcement(s) in relation to the latest arrangement of the 2020 AGM (if any) published on the Company's Website and the Exchange's Website before attending the 2020 AGM.

SHAREHOLDERS' RIGHTS

CONVENING GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGs

Pursuant to the Companies Ordinance (Chapter 622, the Laws of Hong Kong), the procedures for shareholders of the Company ("Shareholders") to convene a general meeting other than an annual general meeting ("EGM") and to make proposals at such meetings are set out below.

(i) Shareholders holding at least 5% of the total voting rights of all the members having a right to vote at general meetings can send a written request to the Company Secretary to convene an EGM (5% Shareholder).

(ii) The written request must state the objects of the meeting, and must be signed by the 5% Shareholder, and may consist of several documents in like form, each signed by one or more of those 5% Shareholder.

(iii) The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order, the 5% Shareholder will be advised of this outcome and accordingly, no EGM will be convened as requested.

(iv) The notice period to be given to all the registered shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM varies according to the nature of the proposal, as follows:

- 14 days' notice in writing if the proposal constitutes an ordinary resolution or a special resolution of the Company.

- 28 days' notice in writing if the proposal requires the serving of a special notice under the Companies Ordinance.

Proposals from 5% Shareholder for convening an EGM and to make proposals at shareholders' meetings should be sent to the Company (for the attention of the Company Secretary) at its registered address or email to companysecretary@tvb.com.hk.

SHAREHOLDERS' COMMUNICATION POLICY AND COMMUNICATION CHANNELS

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy for maintaining an ongoing dialogue with its Shareholders.

The Board reviews the Shareholders' Communication Policy on a regular basis to ensure its effectiveness and that it meets the best market practice. Full text of the Shareholders' Communication Policy is available on the Corporate's Website.

On behalf of the Board

Li Ruigang
Vice Chairman

Hong Kong, 25 March 2020

Television Broadcasts Limited
Dividend Policy

1.1 The Company supports a policy to provide a steady dividend return to shareholders.

1.2 Dividend distribution to the Company's shareholders should be approved by its shareholders or Directors, where appropriate.

1.3 The Directors may from time to time declare and pay such interim dividends as appear to the Directors to be justified by the profits of the Company, on such dates and in respect of such periods as they think fit. The Directors may also declare and pay, half-yearly or at other suitable intervals as may be determined by them, any dividend which may be payable at a fixed rate if the Directors are of the opinion that the profits of the Company justify the payment.

1.4 The Directors may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as they think fit, and the provisions of this Article as regards the powers and exemption from liability of the Directors as relate to the declaration and payment of interim dividends shall apply, mutatis mutandis, to the declaration and payment of all such special dividends.

1.5 No dividend shall be payable except out of the profits of the Company available for distribution.

1.6 The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Television Broadcasts Limited
Nomination of Directors Policy

1. OBJECTIVE

1.1 The Nomination Committee of the Board of the Committee ("NC") shall nominate suitable candidates to the Board for appointment as directors of the Company ("Director(s)") to fill casual vacancies.

1.2 The NC may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed by the Board or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2. SELECTION CRITERIA

2.1 The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.

- Reputation for integrity
- Accomplishment and experience in the Media and Entertainment industry
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The above factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

2.2 Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election/re-election as a Director.

2.4 The NC may request candidates to provide additional information and documents, if considered necessary.

3. NOMINATION PROCEDURES

3.1 The Secretary of the NC shall present the biographical details of the candidates a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.

3.2 For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

Television Broadcasts Limited
Nomination of Directors Policy (continued)

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

3.8 As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a Director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

4. CONFIDENTIALITY

Unless required by law or any regulatory authority, under no circumstances shall a member of the NC or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders, as the case may be, is issued. Following the issue of the circular, the NC or Company Secretary or other staff member of the Company approved by the NC may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Television Broadcasts Limited
Board Diversity Policy

1. PURPOSE

1.1 This Policy aims to set out the approach to achieve diversity on the Company's board of directors ("Board").

2. VISION

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. POLICY STATEMENT

3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objective and its sustainable development. In designing of Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and business experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. MEASURABLE OBJECTIVES

4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and business experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender and age) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

5.1 The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

6. REVIEW OF THIS POLICY

6.1 The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. DISCLOSURE OF THIS POLICY

7.1 This Policy will be published on the Company's website for public information.

7.2 This Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report

ENVIRONMENTAL AND SOCIAL REPORT

SCOPE OF REPORT

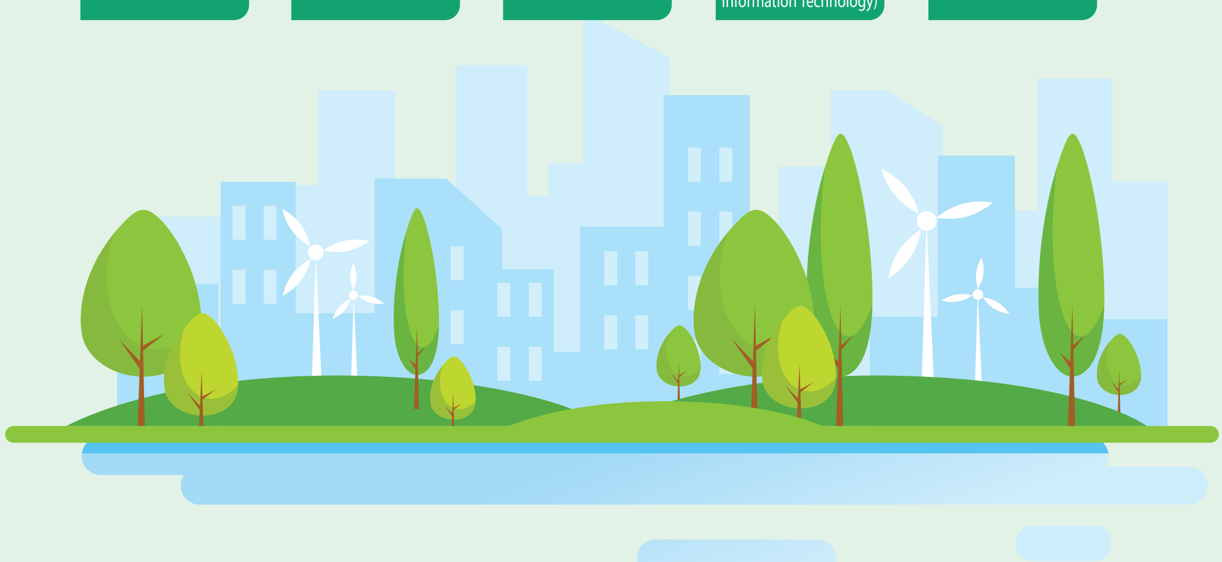
The Board is pleased to present its report of Governance on Environmental and Social responsibilities ("ESG") for the year ended 31 December 2019. In parallel with the report and accounts for the same period, this report provides an overview of sustainability initiatives and investments, and our performance for the year ended 31 December 2019.

This report covers the operations of TVB in Hong Kong, comprising of terrestrial TV broadcasting and programme production at its base in Tseung Kwan O Industrial Estate and transmission sites around Hong Kong, and its digital new media businesses. The scope of this report does not cover companies in which TVB does not have a controlling interest. There has been no change in the scope of this report. For corporate governance matters, please refer to pages 84 to 109 of this Annual Report.

ESG

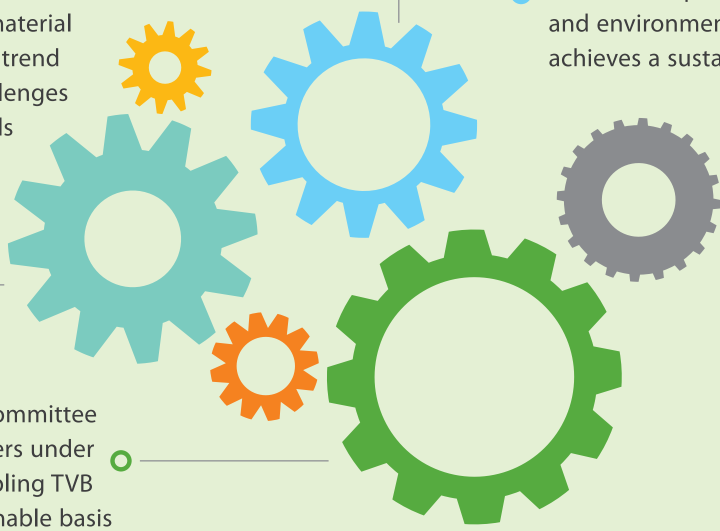
The Board is charged with the overall responsibility of overseeing ESG risks. To further its sustainability efforts, the Company established the Sustainability Steering Group ("SSG") in 2017. The SSG is chaired by the Group CEO and comprises three members of Senior Management of the Company. It reports to the Risk Committee of the Board and holds regular meetings to discuss and formulate major directions. The SSG is advised by a number of working groups at staff level covering social responsibility, training and development, materials, resources and waste.

ESG Structure



RESPONSIBILITIES OF SSG

Reviews progress and effectiveness of our material topics in light of new trend in sustainability, challenges and our business goals



Balances corporate, social, economic and environmental responsibilities and achieves a sustainable growth path

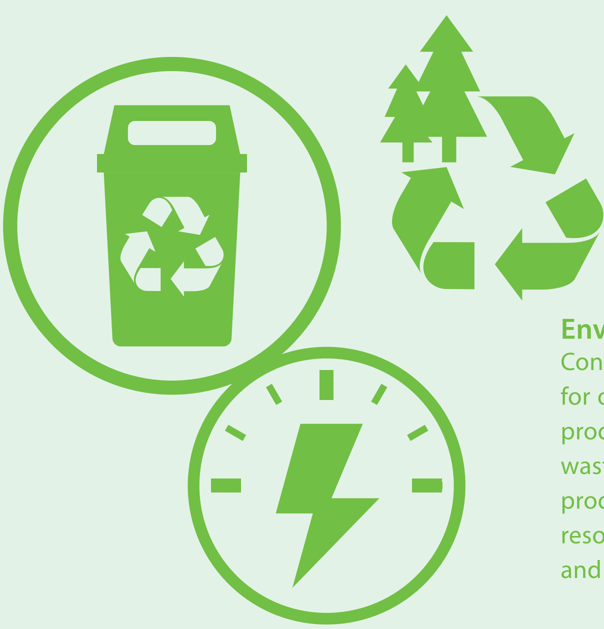
Effectively manages its sustainability risks

Reports to the Risk Committee of the Board and covers under its remit matters enabling TVB to operate in a sustainable basis

The Risk Committee of the Board would handle all ESG related matters due to its on-going responsibility over the identification of risks. The Board does not currently think that a separate ESG committee can be justified under the current state of operation.

MATERIALITY ASSESSMENT

Programme production is the key activity of the Group. This process mainly requires the use of TVB owned indoor production studios and the production process takes place under a controlled environment. The SSG has assessed the materiality of factors contributing to ESG, and has focused its work on two most significant issues:



Environmental
Controlled use of electricity for our programme production; disposal of waste materials arising from production; and recycling of resources including wood and other materials

Social
Ensuring work safety in studios to minimise work related injuries and an overall safe and healthy environment for our offices

ENVIRONMENTAL AND SOCIAL REPORT

STAKEHOLDER ENGAGEMENTS

We recognise the importance of interacting with our stakeholders as an integral part of our business operations and corporate development. During the preparation of the ESG report, we made engagements with our key stakeholders to listen and to collect information relevant to our ESG initiatives. We regard the following as our major stakeholders:

- Shareholders and Investors
- Customers
- Employees
- Government and Regulators
- Business Partners
- Suppliers and Contractors
- Media
- Local Communities and Non-governmental Organisations (NGOs)
- Industry Associations and Professional Bodies

Our normal engagement channels with these major stakeholders include:

- Shareholders' meetings
- Analysts meetings
- Results presentations
- Non-deal roadshows
- Investor conferences
- Financial report, announcement and circulars
- Surveys
- Training and workshops
- Volunteer activities
- Town hall meetings with audience groups
- Project collaborations
- Public events
- Site visits and home visits
- Sponsorships and donations
- Corporate websites

ESG POLICIES

The Board has endorsed the following ESG policies:

Environmental

TVB commits to integrating environmental protection measures into its business operation for the well-being of society

Social

TVB's greatest asset is our staff and artistes who are essential to the continued success of the business. TVB strives to attract, nurture and retain talents by providing a caring and conducive work environment that encourages employees to fulfil their potential, and recognises satisfactory performance. TVB takes occupational safety as a major management responsibility and works hard to provide a safe and healthy workplace

Community Investment

Television has a significant social impact. TVB, as the predominant TV station in Hong Kong, takes an active role in promoting worthy causes and positive outlook on life using its programme and artiste resources

THE ENVIRONMENT

The Company began ESG reporting in the 2016 Annual Report, adopting the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules issued by The Stock Exchange of Hong Kong. Management is mindful that everything we do could have an impact on our environment. Emissions and energy consumption are the two ESG aspects that are considered material to our operations.

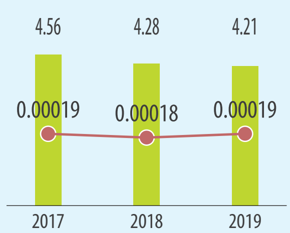
We assess our environmental performance by calculating the intensity of ESG data based on our local production hours. In 2019, the local production hours totalled 22,160 hours (2018: 23,310 hours). The reduction in production hours is due to the lower volume requirements and the reorganisation of human resources made during 2019.

The following table summarises the key indicators that are material to us as we measure our environmental performance. The data for 2017, 2018 and 2019 have been prepared based on the same methodology such that a meaningful comparison of data between the years can be performed.

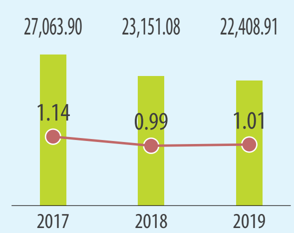
KPIs FOR 2019

Emissions

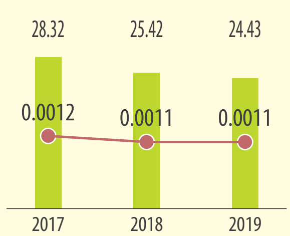
A 1.1
Air emissions (SO_x) (kilogrammes)
Sources: diesel & petrol consumed by vehicles



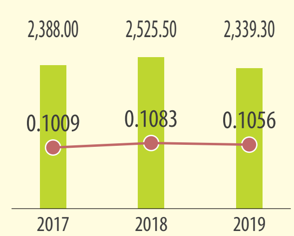
A 1.2
Greenhouse gas (tonnes of CO_2e)
Sources: diesel & petrol consumed by vehicles & generators, electricity, water



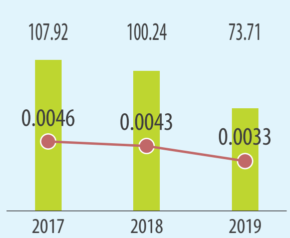
A 1.3
Hazardous waste (tonnes)
Sources: used paint cans, lubricant oil by vehicles



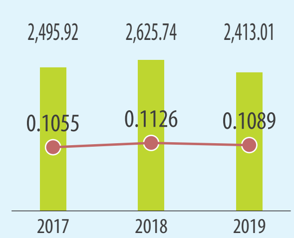
A 1.4
Non-hazardous waste: disposed in landfill (tonnes)
Sources: waste wood, waste props, general refuse



A 1.4
Non-hazardous waste: recycled (tonnes)
Sources: printing cartridges, recyclables such as papers, paper cardboards, aluminum cans, plastic bottles



A 1.4
Total non-hazardous waste (tonnes)
Sources: waste wood, waste props, general refuse, recyclables

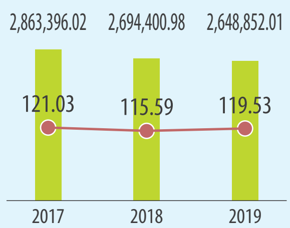


● Total ● Intensity

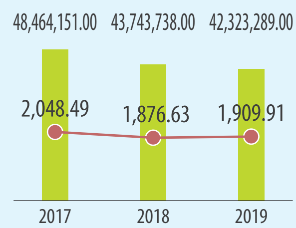
KPIs FOR 2019 (continued)

Use of Resources

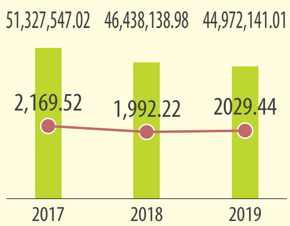
A 2.1
Direct energy consumption (kWh)
Sources: diesel & petrol by vehicles & generators



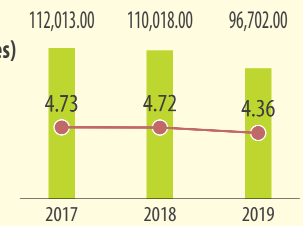
A 2.1
Indirect energy consumption: (kWh)
Sources: electricity



A 2.1
Total energy consumption (kWh)
i.e. direct energy & electricity



A 2.2
Water consumption (cubic metres)



● Total ● Intensity

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1. Shooting at Old China City of TVB City | 2. Production of TVB News Channel, the 24-hour free news channel

EMISSIONS

Greenhouse Gas ("GHG") emission constituted a large part of total emissions. This is being contributed by emission from the Company's own fleet comprising of motorcycles, passenger cars, private buses, light and medium goods vehicles and special purpose vehicles for outdoor shooting, electricity and water consumption. It was recorded at 22,408.91 tonnes of CO_2e with an intensity of 1.01 tonnes per production hour in 2019. Wood was massively consumed for producing studio set and props. The total non-hazardous waste, including waste wood, general and recyclable refuse, was 2,413.01 tonnes in 2019, representing a decrease of 8.1% when compared to 2018.

ENERGY CONSUMPTION

Energy consumption is related to direct energy consumption, including diesel and petrol used by vehicles and generators, and indirect energy consumption such as electricity. Diesel and petrol are mainly consumed by vehicle fleet and mobile generators deployed to support location shooting. The Company has a fleet of 82 vehicles including private cars, buses, light and medium goods vehicles, special purpose vehicles as well as motorcycles. The direct energy consumption was 2,648,852.01 kWh and intensity was 119.53 kWh per production hour.

Electricity, which took up the largest share of indirect energy consumption, is mainly used in lighting and air-conditioning in studio production as well as maintaining broadcasting service. 42,323,289 kWh was consumed in 2019, a 3.2% decline when compared to the previous year. The intensity was 1,909.91 kWh per production hour. Electricity consumption saw a continued drop over the past three years, on average 6.4% per year, attributable to our energy saving efforts which greatly enhanced energy efficiency. Water consumption is not a material aspect for the Company and thus will not be elaborate herein.

Total non-hazardous waste

as compared with 2018

↓ 8.1%

2017-2019

Average reduction in electricity consumption

6.4%

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3. TVB fleet

MEASURES

We continued to focus on enhancing energy efficiency and increasing employee awareness of energy saving measures:

- Energy Management System ("EMS") was in full operation in 2019. The monthly energy reports generated by EMS helped enhance efficiency in energy monitoring and trending analysis
- One set of water-cooled chiller unit has been replaced by a high-energy-efficient model equipped with an auto-tube-cleaning system in September 2019. CLP Eco Building Fund has granted a subsidy of HK$679,000 towards the improvement work
- 230 sets of traditional T8 fluorescent lights at the prop store have been replaced by LED light fittings with SMART control system in June 2019. We have received a subsidy of HK$140,000 from CLP Eco Building Fund for the enhancement of equipment
- 15 traditional split air-conditioning units have been replaced by inverter type high-energy-efficient units in August 2019. The inverter type units, which deploy R410A refrigerant, have less ozone depletion potential and are more energy efficient. CLP Eco Building Fund has granted a subsidy of HK$125,000 towards the improvement work
- The solar panel system, a renewable energy project we launched in November 2018, has attained satisfactory result. Up till December 2019, the 9.6 kW solar panel system has produced 8,461 kWh of renewable energy
- Security officers conducted spot checks to ensure an average indoor temperature of 25.5 degree Celsius was maintained
- Non-essential lights and elevators were switched off during late hours
- The vehicle replacement scheme is in place. Around 63.4% of the Company's cars were Euro V compliant. Two electric vehicle chargers were installed at carpark to facilitate recharge of electric cars by staff

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1. Spot check on indoor temperature | 2. Electric vehicle charging station | 3. Water-cooled chillers

To reduce our impact to the environment, the Company has adopted the following waste management measures, which focus on reducing and recycling hazardous and non-hazardous waste:

Hazardous waste

- The Company collaborated with Hong Kong Battery Recycling Centre Limited since August 2019 to recycle the waste lead acid batteries ("WLAB") in TVB City. Over 20 tons of WLAB generated from obsolete UPS systems were collected. TVB was recognised as "Green Friends" for its effort in reducing chemical waste and avoiding pollution
- Continued to use low volatile-organic-compounds ("VOC") paint for fitting-out and maintenance in TVB City to reduce air pollution
- Used paint cans were disposed of and collected by licensed waste collector

Non-hazardous waste

- Continued the practice of purchasing from suppliers who can provide wood materials harvested from sustainably managed forests as certified by the Programme for the Endorsement of Forest Certification ("PEFC")
- LED video walls were deployed in studio production as far as practicable in our continued effort to reduce the consumption of wood and props
- Employees were encouraged to adopt double-sided printing and A5 format for printing scripts
- Copier papers were provided by Forest Stewardship Council ("FSC") certified suppliers
- To increase recycling awareness, waste separation bins were placed on various floors of the office buildings inside TVB City to collect waste metals and plastics. The waste was collected regularly by recycling agents
- The Company maintained a 100% recycling of used toner cartridges in 2019 by collecting and returning all used cartridges to recycling agents

The Group's Purchasing Policy and Principles are in place to source sustainable products and services from reliable suppliers and contractors. The Company will continue to encourage its business partners to adopt environmental protection measures.

4. Recycling of WLAB | 5. Waste separation bins

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Our contributions to environmental protection were recognised in 2019. The Company won the Certificate of Merit (Media and Communication Sector) in the Hong Kong Awards for Environmental Excellence 2018 organised by Environmental Protection Department in recognition of the Company's excellent performance on environmental management. Also, we continued to obtain rebates from CLP's Automated Demand Response Programme as a result of our effective energy-saving efforts in 2019. The Company was recognised as Hong Kong Green Organisation and continued to receive the Energywi$e Certificate and Wastewi$e Certificate under the Hong Kong Green Organisation Certification for its energy saving and waste reduction efforts.

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1. TVB was recognised as Hong Kong Green Organisation
2. Awarded Energywi$e and Wastewi$e Certificates under the Hong Kong Green Organisation Certification
3. TVB won the Certificate of Merit in the Hong Kong Awards for Environmental Excellence 2018

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Insofar as air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the production process, the Company is in compliance with Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358), Waste Disposal Ordinance (Cap. 354) and Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) implemented by the Environmental Protection Department.

PLANS FOR 2020

To enhance our energy efficiency effort and improve our carbon footprint, the Company plans to:

- Further upgrade the existing LED tube lights at the staircases of the Main Block to motion sensor control LED lights in 2020
- Replace the existing PLC downlights in lavatories of the Main Block with LED downlights in phases from 2020 to 2021
- Further replace a set of air-cooled chiller unit with a high-energy-efficient model
- Electric cars and hybrid vehicles will be actively considered during vehicle replacement; and will purchase the first electric vehicle in 2020

The Company is confident that the SSG will continue to put forward initiatives, enabling the Company to reduce its environmental impact and foster a sustainable global environment.

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4. Air-cooled chillers | 5. Hybrid vehicles

ENVIRONMENTAL AND SOCIAL REPORT

SOCIAL

The Company's greatest asset is our staff and artistes who are essential to the continued success of the business. TVB strives to attract, nurture and retain talents by providing a caring and conducive work environment that encourages employees to fulfil their potential and recognising satisfactory performance. The Company takes occupational safety as a major management responsibility and works hard to provide a safe and healthy workplace.

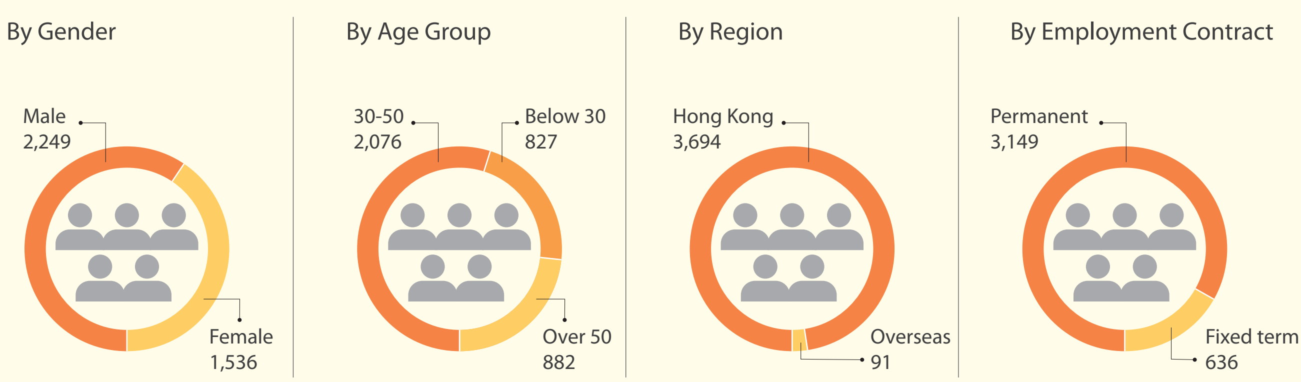
EMPLOYMENT AND LABOUR PRACTICES

As of 31 December 2019, the Group had a total of 3,785 full time staff and artistes, of which 3,694, representing 98%, were employed in Hong Kong, while about 2% was employed by our overseas subsidiaries. They were paid on scales and systems relevant to the respective localities and legislations. With regard to the terms of employment, the Company complies with the existing laws, including the Employment Ordinance, the Employees' Compensation Ordinance, the Minimum Wage Ordinance, the Discrimination Legislation, Data Privacy Law, industry regulations and the policy of Equal Opportunities in Employment.

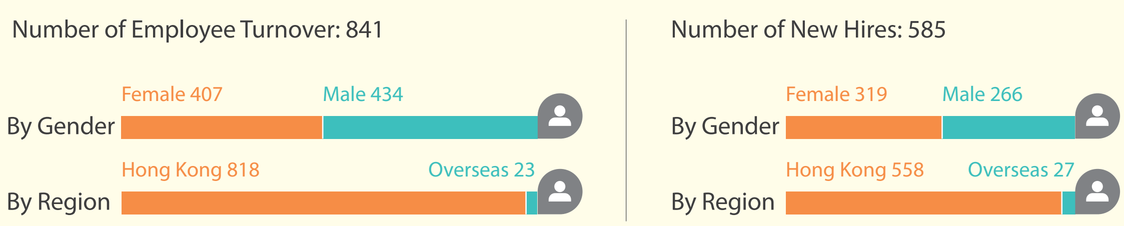
The employment of children is at times necessary due to television production requirements. The Company complies with the Employment of Children Regulations under the Employment Ordinance and obtains permission for the employment of child artistes.

An analysis of TVB Group's workforce as at 31 December 2019

Number of Employees: 3,785



Employee Turnover Rate



BENEFITS

Full-time employees are entitled to the following benefits:

- Mandatory Provident Fund scheme
- Seven days of matrimonial leave on full basic salary
- 10 weeks of maternity leave on full basic salary
- Five days of paternity leave on full basic salary
- A maximum of 120 days fully paid sick leave
- Group medical and life insurance coverage
- Family dental dependent medical scheme coverage available to dependents at special rates

All new hires are given the Employee Handbook to familiarise them with personnel policies, allowances, staff benefits, company facilities and security matters.

COMMUNICATION

The Company maintains an open dialogue with its staff to understand their needs.

- Monthly newsletters and the Intranet
  Offer effective channels for staff to share their views and understand the Company's policy
- Ombudsman scheme
  Listen to staff suggestions and to handle their grievances
- Whistleblowing system
  Employees are able to raise concerns, in confidence, about possible improprieties

To enhance internal communication and workflow efficiency, the Company is building the Variety Studio Block Annex gathering together the Art, Graphics and Setting departments. It is expected to be completed and open by the end of 2020.

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1. Variety Studio Block Annex

ENVIRONMENTAL AND SOCIAL REPORT

HEALTH AND SAFETY

The Company takes a proactive approach to safety management. The following measures are in place to provide a safe working environment and enhance safety awareness among employees.

General measures

- Employees are required to strictly observe the safety standards and procedures under the Company's Safety Management Policy
- Operational guidelines and safety measures for installation of equipment, building management and production set-up are distributed to employees and contractors
- The safety committee reviews measures regularly to improve occupational health and safety
- Annual safety audit and monthly safety inspections were conducted with satisfactory result
- 13 training courses on workplace risk assessment and occupational or personal safety were organised during the year
- Information on occupational safety was published in the Company's newsletters from time to time to raise safety awareness among staff

Work-related fatalities 0

2,126 Lost days due to work injury — as compared with 2018 ↓14.4%

Measures on improving air quality

- Regular maintenance and renewal of electronic air-purifiers at the central ventilation system which better purifies the outdoor air, such as bacteria, volatile organic compounds ("VOC"), mold, that enters the buildings
- Regular cleaning of the air-filters and cooling-coils of more than 2,400 fan coil units in TVB City to improve Indoor Air Quality ("IAQ")
- Low VOC paint were used for fitting-out and maintenance around TVB City
- Catalyst air purification was conducted every time after the completion of fitting out works to remove VOC and reduce employees' exposure to pollutants

We continued to achieve encouraging results with six blocks of building in TVB City attaining the "good" air quality classification under the Environmental Protection Department's IAQ Certification Scheme for Offices and Public Places. The Company also received the IAQwi$e Certificate under the Hong Kong Green Organisation Certification.

80 reported cases of accidents resulting in 73 injuries — Investigations were carried out to identify the causes of the accidents and immediate arrangements were put in place to prevent future recurrence

1. Security control centre monitors and ensures a safe work environment | 2. Fire depot in TVB City

Preventive measures against COVID-19

In view of the ongoing coronavirus outbreak in the mainland and Hong Kong, precautionary measures were taken to provide our staff and artistes with a safe working environment. They included:

- Body temperature checks were conducted on all persons, including staff, artistes, reporters, contractors and visitors, before they enter TVB City to reduce the risk of spread of the virus in the Company
- Masks were in adequate supply with distribution prioritised to frontline employees such as News Department, Production Division, security staff, drivers and receptionists. Staff must wear masks in production studios and observe hand hygiene
- Stepped up cleaning and disinfection of production studios, ventilation system, washrooms, elevators, passenger vehicles, public areas and canteens. Disinfected carpets and hand sanitisers were provided where necessary. Water sampling and bacteria tests of cooling towers as well as Indoor Air Quality measurements were carried out to ensure they were at a satisfactory level
- To reduce the flow of people and social contacts, employees were allowed to work at home where operational circumstances permit; company activities such as the Lunar New Year gathering and the annual basin feasts were cancelled; "Miss Chinese International Pageant 2020" was postponed; public attendance and participation in studio recordings were stopped
- Outdoor shootings in Hong Kong and abroad as well as scenes with lots of people should be avoided as far as possible

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3. Distribution of alcohol-based hand sanitisers to employees | 4,5. Staff and artistes wore masks during shooting and publicity events
6. Body temperature checks

Work-life balance

- We promote work-life balance by encouraging employees to take part in sporting and recreational activities. During the year, the Company organised a total of 19 sports and recreational/leisure activities, including basketball, soccer, dragon-boat racing, and exhibitions

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1. TVB Cup Mini Soccer Championship | 2. Mixed Invitation Dragon Boat Race – TVB Cup | 3. TVB Cup Basketball Championship
4. One-day Tour to Ho Pui Reservoir and Luk Yau Yau Organic Farm

TRAINING AND RECOGNITION

Employee development is a key priority for us. We continued to invest in staff and artistes training to maintain a workforce relevant to our business needs.

- Artiste Training Class
  A six-month class comprising a three-month on-the-job training was organised for 22 participants

- Creative Training Programme
  A two-year programme was launched for five new recruits

- Seminars and courses
  Seminars and courses on subjects of IT, newly upgraded computer systems, management skills, and other related studies are regularly organised either in-house or with vocational institutions to help our staff develop their skill sets. In 2019, we provided 107 training classes totalling 4,478 hours of training

- Executive Trainee Programme
  The two-year programme to nurture competent TV professionals continued. Six trainees were recruited in 2019 and rotated around various departments, paving their way for managerial positions in the future

5

Programmes are in place to recognise outstanding and loyal employees. Our staff were given discretionary bonuses roughly one half of their basic monthly salaries as a recognition of their good performance and hard work in 2019. During the year, 12 employees were recognised for their superb performance under the Outstanding Employee Award Scheme. They received monetary prizes and paid leave. In recognition of the loyalty of our staff, employees were entitled to the Long Service Award for every 10 years of service and received gold mementos as souvenirs.

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5,6. Long Service Award and Outstanding Employee Grand Award Presentation Ceremony 2019

ENVIRONMENTAL AND SOCIAL REPORT

ANTI-CORRUPTION

As a public body, TVB is governed by and in compliance with the Prevention of Bribery Ordinance. The Company has promulgated purchasing policies and procedures prohibiting employees from soliciting or accepting advantage from contractors, suppliers or people connected with our business. Circulars are issued periodically to remind staff and suppliers of our anti-corruption policy, particularly before festive seasons.

SUPPLY CHAIN MANAGEMENT

The Group's Purchasing Policy and Principles is in place which provides guidance on the sourcing of sustainable products and services from reliable suppliers and contractors that comply with local regulations governing the labour and environment.

PRODUCT RESPONSIBILITY

As a domestic free TV programme service licensee, TVB is required to comply with the Broadcasting Ordinance, the Telecommunications Ordinance, Licence Conditions, and Codes of Practice relating to Programme, Advertising and Technical Standards. The Company's Legal & Regulatory Department acts as a gatekeeper to ensure that our programme services comply with the relevant statutory requirements. In 2019, nine public complaints were referred to the Communications Authority ("CA") for a determination, six of which were ruled unsubstantiated. Of the three substantiated cases, one of which related to indirect advertising, the sanctions ranged from "advice" to "warning".

With the relaxation of the regulation of indirect advertising in television programme services by the CA effective 27 July 2018, TVB is integrating more sponsored products into our programme contents. We will continue to monitor closely whether the measure can truly allow a more conducive business environment and provide flexibility for the broadcasting industry to generate more advertising revenue.

With regard to the judicial review applications against two previous CA's rulings in 2016 on indirect advertising, the cases were heard in High Court in May 2018. Judgment was reserved.

PRIVACY

The Company recognises the importance of privacy and will not in any event disclose stakeholders' information without their consent, unless required to do so by law. There were no incidents or substantiated complaints concerning breaches of customer privacy or losses of customer data in 2019.

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15 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

The Company was awarded the "15 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service in recognition of our continued efforts in caring for the community, employees and the environment.

1. Lo And Behold is one of the examples of successful product placement following the relaxation of regulation on indirect advertising

COMMUNITY INVESTMENT

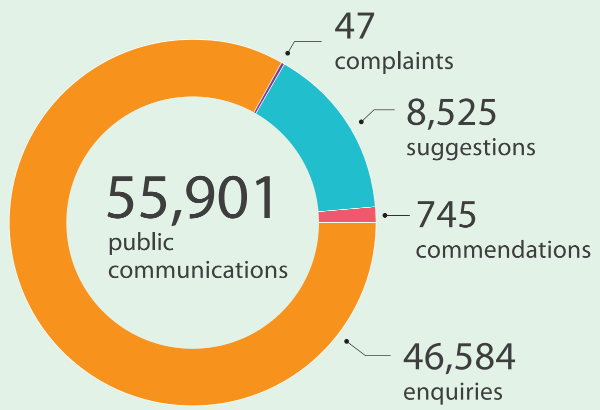
Television has a significant social impact. TVB, as the predominant TV station in Hong Kong, has been taking an active role in promoting worthy causes and positive outlook on life using our programme and artiste resources.

STAKEHOLDER ENGAGEMENT

TVB has been striving to provide the best entertainment and information services to our viewers, our most important stakeholders. Continuous efforts have been made to raise quality of our TV programmes and enhance viewing experience. Confronted with technological innovation and changing viewing habits, the Company has succeeded in transforming itself from a traditional broadcaster into a multi-platform television station amalgamating broadcast TV, OTT TV, social media and e-commerce. The OTT service myTV SUPER, launched in April 2016, has succeeded in garnering nearly nine million registered user devices and become the largest OTT platform in Hong Kong.

We maintain effective communication with our viewers through audience hotline, emails, letters and fax. A total of 55,901 public communications were handled in 2019.

Public Viewing Panel, the consultative organisation formed in 1991, facilitates collection of members' opinions of our programmes and services. The Panel has more than 1,200 members from all walks of life. During the year, the focus group meeting attended by about 60 members was held. Colleagues from various departments/subsidiaries such as Production Division, Programme Division, TVB New Media Group Limited and MyTV Super Limited attended the event and listened to first hand views. Management staff and senior executives hosted the Question-and-Answer session to respond to members' enquiries and exchange views on the programme development of the Company. Opinions collected therein were analysed and channeled to the departments concerned and would be actively considered when formulating production and scheduling plans in future.



2. Public Viewing Panel Focus Group Meeting

PROGRAMMES ON SOCIAL AND CIVIC RESPONSIBILITY ISSUES AND FUND RAISING

TVB regularly promotes positive actions on social and civic responsibility issues through its programmes. During the year, nine fund raising/charity programmes were telecast, including Tung Wah Charity Show 2019, Community Chest Charity Show 2019 and Caritas Star Studded Charity Show 2019. The shows helped raise around HK$211 million for charity organisations in support of a wide range of worthy causes. Cumulated funds raised over the years have exceeded HK$5.8 billion.

As a licensing condition, the Company provides free airtime to broadcast government publicity messages, including Announcements in the Public Interests (API) and TV publicity materials by the Communications Authority. In 2019, publicity messages totalling more than 1,000 hours were broadcast on our free digital and analogue TV channels.

Fund raised in 2019 HK$ 211 million

1. Tung Wah Charity Show 2019 raised a record-breaking HK$124 million | 2. Community Chest Charity Show 2019
3. Caritas Charity Show 2019

COMMUNITY ENGAGEMENT

We are committed to serving the community and the underprivileged. With the support of our staff and artistes, we took part in a total of 30 community activities in 2019. Noteworthy ones included the annual Charity Sale of Cookies, Life Buddies Mentoring Scheme, Walk for Millions and Neighbourhood New Year Gathering Lunch.

In response to the shortage of anti-epidemic supplies amid the COVID-19 outbreak, the programme *"Scoop"* launched in February 2020 the TVB anti-coronavirus donation campaign which called for the donation of epidemic prevention supplies. Large amount of materials including masks, hand sanitisers, sanitising spray and fruits were received. With the help of TVB artistes, they were distributed to the needy via charitable organisations, hospitals, NGOs, non-profit organisations, patient and support groups, homes and centres for the elderly as well as kindergartens.

TVB VOLUNTEER TEAM

The TVB Volunteer Team, established in 2016, now has 147 members. During the year, the team participated in 16 activities including organic farming scheme which donates harvest to elderly centres, charity sales, job tasting activities for secondary students and TVB City tours for the underprivileged. The team has delivered 854 hours of volunteer services in 2019. Our community efforts were recognised with the Silver Award for Volunteer Service (Organization) at the Volunteer Movement of the Social Welfare Department.

DONATIONS

Donations were made to Project WeCan as well as the "Future Stars – Upward Mobility Scholarship" by the Commission on Poverty. These programmes provided assistance to less-privileged secondary students in enhancing their ability to move up the social ladder.

In 2019, the Company donated more than 10,000 costumes and accessories to non-profit making organisations such as The Salvation Army Hong Kong & Macau Command to help low-income and disadvantages households.

4. The Community Chest 50th Anniversary Walk for Millions | 5. Organic farming scheme
6. Artistes distributed epidemic prevention materials to the public in need
7. Over 100,000 oranges were distributed to hospitals in support of medical practitioners

CHARITIES

The TVB, Staff and Artistes Fund for Charities ("the Fund") was established in 2013 to provide aid to victims of calamities, the poor, and the elderly. Working with non-governmental organisations, the Social Welfare Department and the Labour Department, the Fund has allocated a total of HK$12,764,936 over the years, providing assistance to people in dire need.

In 2019, subsidies totalling HK$1,204,400 were granted to 112 cases. In addition, HK$337,280 was donated to sponsor two charitable projects, benefitting 4,150 people.

HK$1,204,400 subsidies — granted to 112 cases

HK$337,280 donated — benefitting 4,150 people

1. Winter Solstice Giant Basin Feast with the elderly

PLANS FOR 2020

The Company will continue to deploy our programme and artiste resources to promote and support worthy social causes.

NURTURING NEW TALENTS FOR THE INDUSTRY

As part of our commitment to nurturing new talents for the broadcasting industry, the Company has been providing scholarships to outstanding university students attending courses in journalism, communication, movie and television. We also partnered with education institutions to organise internship programmes and competition for secondary and tertiary students to gain exposure and practical experience in the broadcasting industry.

Scholarships:
12 students from four universities received grants totalling HK$145,000. The Company also provided a HK$10,000 scholarship to the Hong Kong School Music and Speech Association in support of music talents

TVB Inter-Collegiate Documentary Competition:
Held for the sixth year running, the competition gave tertiary students of relevant disciplines an opportunity to practise television production in accordance with industry standards. Nine universities and colleges from Hong Kong and Macau participated in the competition

Internship programme:
65 interns from 27 local and overseas higher education institutions as well as secondary schools were placed at various departments, such as News & Information Services Division, Production Facilities Division, Programme Division, Production Division, Art Sub-division and Programme Development Sub-division

Company Visit:
About 170 secondary school students and 20 teachers visited TVB City through an event jointly organised with the Journalism Education Foundation.

2. 2019 TVB Inter-Collegiate Documentary Competition

PERFORMANCE TABLE

Environmental								
Type			2019		2018		2017	
			Total	Intensity	Total	Intensity	Total	Intensity
Emissions	A 1.1	Air emissions (SO_x) (kilogrammes) Sources: diesel & petrol consumed by vehicles	4.21	0.00019	4.28	0.00018	4.56	0.00019
	A 1.2	Greenhouse gas (tonnes of CO_2e) Sources: diesel & petrol consumed by vehicles & generators, electricity, water	22,408.91	1.01	23,151.08	0.99	27,063.90	1.14
	A 1.3	Hazardous waste (tonnes) Sources: used paint cans, lubricant oil by vehicles	24.43	0.0011	25.42	0.0011	28.32	0.0012
	A 1.4	Non hazardous waste : disposed in landfill (tonnes) Sources: waste wood, waste props, general refuse	2,339.30	0.1056	2,525.50	0.1083	2,388.00	0.1009
	A 1.4	Non hazardous waste: recycled (tonnes) Sources: printing cartridges, recyclables such as papers, paper cardboards, aluminum cans and plastic bottles	73.71	0.0033	100.24	0.0043	107.92	0.0046
	A 1.4	Total non-hazardous waste (tonnes) Sources: waste wood, waste props, general refuse, recyclables	2,413.01	0.1089	2,625.74	0.1126	2,495.92	0.1055
Use of Resources	A 2.1	Direct energy consumption (kWh) Sources: diesel & petrol by vehicles & generators	2,648,852.01	119.53	2,694,400.98	115.59	2,863,396.02	121.03
	A 2.1	Indirect energy consumption: (kWh) Sources: electricity	42,323,289.00	1,909.91	43,743,738.00	1,876.63	48,464,151.00	2,048.49
	A 2.1	Total energy consumption (kWh) i.e. direct energy & electricity	44,972,141.01	2,029.44	46,438,138.98	1,992.22	51,327,547.02	2,169.52
	A 2.2	Water consumption (cubic metres)	96,702.00	4.36	110,018.00	4.72	112,013.00	4.73

Social			
		TVB Group	
		2019	2018
B1.1	**Total workforce by gender, employment type, age group and geographical region**		
	Number of employees	3,785	4,041
	By gender		
	Female	1,536	1,624
	Male	2,249	2,417
	By age group		
	Below 30	827	946
	30-50	2,076	2,216
	Over 50	882	879
	By region		
	Hong Kong	3,694	3,954
	Overseas	91	87
	By employment contract		
	Permanent	3,149	3,377
	temporary/fixed term	636	664
B1.2	**Employee turnover rate by gender and geographical region**		
	Number of employee turnover	841	1,021
	By gender		
	Female	407	474
	Male	434	547
	By region		
	Hong Kong	818	953
	Overseas	23	68
	Number of new hires	585	626
	By gender		
	Female	319	331
	Male	266	295
	By region		
	Hong Kong	558	612
	Overseas	27	14
B2.1	**Number and rate of work-related fatalities**	-	-
B2.2	**Lost days due to work injury**	2,126	2,458

FINANCIAL INFORMATION

FIVE-YEAR FINANCIAL REVIEW

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

	2019 HK$'mil	2018 HK$'mil	2017 HK$'mil	2016 HK$'mil	2015 HK$'mil
Results (Year ended 31 December)					
Revenue	**3,649**	4,477	4,336	4,210	4,455
(Loss)/profit before income tax	**(297)**	(124)	358	553	126
Income tax (credit)/expense	**(18)**	53	94	105	144
(Loss)/profit attributable to equity holders of the Company	**(295)**	(199)	244	500	1,331
(Loss)/earnings per share	**HK$(0.67)**	HK$(0.45)	HK$0.56	HK$1.14	HK$3.04
Assets and Liabilities (As at 31 December)					
Non-current					
Property, plant and equipment	**1,808**	1,811	1,875	1,797	1,687
Investment properties	**29**	29	31	101	684
Land use rights	**46**	49	54	55	60
Intangible assets	**192**	140	86	59	27
Interests in joint ventures	**708**	707	769	20	30
Interests in associates	**162**	162	169	160	–
Financial assets at fair value through other comprehensive income/ available-for-sale financial assets	**40**	40	47	47	47
Bond securities at amortised cost/ held-to-maturity financial assets	**1,250**	2,241	712	524	–
Financial assets at fair value through profit or loss	**–**	330	–	–	–
Loan and receivables	**–**	–	–	–	143
Other non-current assets	**59**	101	120	122	93
Current assets	**4,301**	4,646	8,153	9,471	6,342
Current liabilities	**(1,036)**	(791)	(887)	(937)	(720)
	7,559	9,465	11,129	11,419	8,393
Share capital	**664**	664	664	664	664
Reserves	**4,788**	5,519	6,331	6,401	7,016
Shareholders' funds	**5,452**	6,183	6,995	7,065	7,680
Non-controlling interests	**137**	124	162	165	156
Non-current liabilities	**1,970**	3,158	3,972	4,189	557
	7,559	9,465	11,129	11,419	8,393

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF TELEVISION BROADCASTS LIMITED

(incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (the "Group") set out on pages 140 to 230, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

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INDEPENDENT AUDITOR'S REPORT

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.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter identified in our audit is related to the programme costs and film rights.

Key Audit Matter	How our audit addressed the Key Audit Matter
Programme costs and film rights *Refer to notes 2, 4(d) and 26 to the consolidated financial statements* The programme costs and film rights recognised as an expense for the year ended 31 December 2019 was HK$1,747 million, representing the amortisation charges in respect of the programme cost and film rights, which constituted the largest single expense item charged to the consolidated income statement. In determining the allocation, timing and amount of the recognition of the programme costs and film rights, significant judgements and estimates were considered by the Group, in particular the following aspects: • Allocation of programme costs and film rights to each of the terrestrial broadcasting, digital new media and licensing and distribution market platforms with reference to their respective economic benefits brought to the Group. • Timing and amount of amortisation based on the expected consumption pattern, number of planned transmissions or duration of the license period, whichever is more relevant and prevailing.	Our audit procedures in relation to the programme costs and film rights included: • We assessed whether the accounting policy of the Group in respect of the amortisation of programme costs and film rights was reasonable. This assessment included benchmarking the policy against industry practice. We also tested whether the accounting policy was consistently applied year on year. • We gained an understanding of the rationale behind the basis of allocation and amortisation pattern and tested the design and implementation of controls over the recognition, allocation and amortisation of the programme costs and film rights. We also evaluated the Group's assessment as to whether the existing allocation and amortisation were in line with the consumption pattern and economic benefit in which the programme costs and film rights were consumed by reference to past experience and the consumption rate for similar types of programmes, and assessing the reasonableness of the projected viewership of the programmes that would likely be achieved over the broadcasting period. • We obtained management's full list of programmes and film rights, checked the completeness of the list by agreeing the list to the records in the programmes system and tested the calculation of the amortisation for a sample of programmes and film rights. We found the assumptions and judgements made by the Group in respect of the allocation and amortisation of the programme costs and film rights to be supportable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate 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. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Yau Lai Ting, Cecilia.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

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	6	**1,808,054**	1,811,070
Investment properties	7	**28,981**	29,367
Land use rights	8	**45,874**	49,486
Intangible assets	9	**191,616**	140,160
Interests in joint ventures	10	**708,905**	707,242
Interests in associates	11	**162,009**	162,129
Financial assets at fair value through other comprehensive income	12	**39,775**	39,775
Bond securities at amortised cost	13	**1,250,090**	2,241,328
Financial assets at fair value through profit or loss	14	**–**	330,015
Deferred income tax assets	24	**7,697**	16,060
Prepayments	16	**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	15	**38,195**	40,912
Trade and other receivables, prepayments and deposits	16	**1,722,360**	2,289,332
Movie investments	17	**66,992**	8,118
Interests in joint ventures	10	**42,650**	30,375
Tax recoverable		**7,870**	21,296
Bond securities at amortised cost	13	**125,624**	15,652
Restricted cash	18	**–**	1,406
Bank deposits maturing after three months	18	**79,137**	56,928
Cash and cash equivalents	18	**1,105,611**	1,211,892
Total current assets		**4,301,099**	4,645,753
Total assets		**8,595,384**	10,256,367
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**664,044**	664,044
Other reserves	20	**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	22	**1,865,660**	3,016,923
Lease liabilities	23	**36,437**	–
Deferred income tax liabilities	24	**68,592**	141,560
Total non-current liabilities		**1,970,689**	3,158,483

	Note	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and other payables and accruals	21	**650,074**	740,081
Current income tax liabilities		**7,051**	23,390
Borrowings	22	**342,716**	27,382
Lease liabilities	23	**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

The consolidated financial statements on pages 140 to 230 were approved by the Board of Directors on 25 March 2020 and were signed on its behalf.

Li Ruigang
Director

Mark Lee Po On
Director

The notes on pages 147 to 230 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**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	5	**13,860**	17,477
Interest income	5	**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	30	**29,842**	(45,257)
Gain on disposal of bond securities at amortised cost	13	**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 profit or loss	14	**(330,015)**	(320,000)
Gain on disposal of a subsidiary	40	**21,049**	–
Gain on disposal of investment properties		**–**	27,058
Finance costs	31	**(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	26	**(296,939)**	(124,040)
Income tax credit/(expense)		**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	33	**HK$(0.67)**	HK$(0.45)

The notes on pages 147 to 230 are an integral part of these consolidated financial statements.

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:		
Exchange differences on translation of foreign operations		
– Subsidiaries	**(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)

The notes on pages 147 to 230 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 December 2017 as originally presented		664,044	148,277	6,182,512	6,994,833	162,214	7,157,047
Change in accounting policy		–	–	(12,397)	(12,397)	–	(12,397)
Restated total equity as at 1 January 2018		664,044	148,277	6,170,115	6,982,436	162,214	7,144,650
Comprehensive income/(loss):							
Loss for the year		–	–	(199,080)	(199,080)	22,092	(176,988)
Other comprehensive income/(loss):							
Exchange differences on translation of foreign operations							
– Subsidiaries		–	(17,649)	–	(17,649)	(10,069)	(27,718)
– Joint ventures		–	848	–	848	–	848
Share of other comprehensive loss of an associate		–	(8,166)	–	(8,166)	–	(8,166)
Reclassification adjustments of exchange to profit or loss on liquidation of a subsidiary		–	(671)	–	(671)	–	(671)
Revaluation of financial assets at fair value through other comprehensive income	20	–	(7,661)	–	(7,661)	–	(7,661)
Total comprehensive loss, net of tax		–	(33,299)	(199,080)	(232,379)	12,023	(220,356)
Transactions with owners:							
Share-based payments	20	–	24,125	–	24,125	–	24,125
Transferred to legal reserve	20	–	8,182	(8,182)	–	–	–
2017 final dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
2017 special dividends paid		–	–	(306,600)	(306,600)	–	(306,600)
2018 interim dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
Total contributions by and distributions to owners		–	32,307	(577,582)	(545,275)	–	(545,275)
Change in ownership interests in subsidiaries without change of control	39	–	(22,044)	–	(22,044)	(49,944)	(71,988)
Total transactions with owners		–	10,263	(577,582)	(567,319)	(49,944)	(617,263)
Balance at 31 December 2018		664,044	125,241	5,393,453	6,182,738	124,293	6,307,031

	Note	Attributable to equity holders of the Company				Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000		
Balance at 31 December 2018		664,044	125,241	5,393,453	6,182,738	124,293	6,307,031
Comprehensive income/(loss):							
Loss for the year		–	–	(294,925)	(294,925)	16,259	(278,666)
Other comprehensive income/(loss):							
Exchange differences on translation of foreign operations							
– Subsidiaries		–	(11,204)	–	(11,204)	(2,913)	(14,117)
– Joint ventures		–	1,195	–	1,195	–	1,195
Share of other comprehensive loss of an associate		–	(3,448)	–	(3,448)	–	(3,448)
Reclassification adjustments of exchange to profit or loss on liquidation of subsidiaries and a joint venture		–	(571)	–	(571)	(583)	(1,154)
Total comprehensive loss, net of tax		–	(14,028)	(294,925)	(308,953)	12,763	(296,190)
Transactions with owners:							
Share-based payments	20	–	15,821	–	15,821	–	15,821
Transferred to legal reserve	20	–	5,874	(5,874)	–	–	–
2018 final dividends paid		–	–	(306,600)	(306,600)	–	(306,600)
2019 interim dividends paid		–	–	(131,400)	(131,400)	–	(131,400)
Total transactions with owners		–	21,695	(443,874)	(422,179)	–	(422,179)
Balance at 31 December 2019		**664,044**	**132,908**	**4,654,654**	**5,451,606**	**137,056**	**5,588,662**

The notes on pages 147 to 230 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**753,283**	199,337
Hong Kong tax paid		**(15,238)**	(47,648)
Hong Kong tax refunded		**–**	1,127
Overseas tax paid		**(34,016)**	(21,716)
Net cash generated from operating activities		**704,029**	131,100
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		**(263,538)**	(336,568)
Additions of intangible assets		**(82,506)**	(65,969)
Purchases of bond securities at amortised cost		**–**	(1,710,621)
Purchases of convertible bonds at fair value through profit or loss		**–**	(651,509)
Proceed from disposal/redemption of bond securities at amortised cost		**802,728**	15,632
Investment in a joint venture		**(50)**	–
Fund advanced to a joint venture		**(2,500)**	–
Fund advanced repaid by a joint venture		**2,000**	12,159
(Increase)/decrease in bank deposits maturing after three months		**(22,209)**	4,299
Net cash inflow from disposal of a subsidiary	40	**27,336**	–
Net proceeds from disposal of investment properties		**–**	70,741
Proceeds from disposal of property, plant and equipment		**713**	1,955
Interest received		**133,816**	164,529
Net cash generated from/(used in) investing activities		**595,790**	(2,495,352)
Cash flows from financing activities			
Proceeds from bank loans		**342,716**	–
Purchase of Notes		**(1,141,130)**	(805,823)
Interest paid		**(108,541)**	(127,742)
Acquisition of additional interest in subsidiaries	39	**–**	(71,988)
Decrease in restricted cash		**1,406**	4,305,480
Principal elements of lease payments		**(30,125)**	–
Dividends paid to equity holders of the Company		**(438,000)**	(569,400)
Net cash (used in)/generated from financing activities		**(1,373,674)**	2,730,527
Net (decrease)/increase in cash and cash equivalents		**(73,855)**	366,275
Cash and cash equivalents at 1 January		**1,184,510**	831,301
Effect of foreign exchange rate changes		**(5,044)**	(13,066)
Cash and cash equivalents at 31 December		**1,105,611**	1,184,510
Analysis of cash and cash equivalents:			
Short-term bank deposits maturing within three months	18	**699,528**	658,209
Cash at bank and on hand	18	**406,083**	553,683
Less: Bank overdraft	22	**–**	(27,382)
		1,105,611	1,184,510

The notes on pages 147 to 230 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Television Broadcasts Limited (the "Company") and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The principal activities of the Company are terrestrial television broadcasting, together with programme production and other television-related activities. The principal activities of the principal subsidiaries are detailed in Note 46.

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2020.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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 as explained in Note 2.11.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(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 new accounting policies that have been applied from 1 January 2019 are set out in Note 2.28. The other standards effective for the financial year ended 31 December 2019 do not have a material impact on the Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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.

(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%.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

(ii) Measurement of lease liabilities (continued)

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 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
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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

(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 right-of-use assets 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 were recognised as the balances were 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 ended 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All inter-company transactions and balances within the Group are eliminated on consolidation. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group that do not result in loss of control. For purchases or disposals of interests from non-controlling interests, the difference between any consideration paid/received and the relevant share acquired/disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

In the Company's statement of financial position, the interests in associates are stated at cost less provision for impairment losses (Note 2.9). The results of the associates are accounted for by the Company on the basis of dividends received and receivable.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(d) Disposal of subsidiaries, associates and joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equal or exceed its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investments in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the interests in joint ventures are stated at cost less provision for impairment losses (Note 2.9). The results of the joint ventures are accounted for by the Company on the basis of dividends received and receivable.

Investment in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the purposes of allocating resources to each of the segments and assessing its performance.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of which results in loss of control or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Foreign currency translation (continued)

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to the consolidated income statement.

2.5 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment, comprising freehold land and buildings, leasehold improvements, studio, broadcasting and transmitting equipment, furniture, fixtures and equipment and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Amortisation of leasehold land classified as finance leases commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance leases and depreciation on other property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Leasehold land classified as finance leases	Shorter of remaining lease term or useful life
Buildings	2.27% – 5%
Leasehold improvements	Shorter of remaining lease term or useful life
Studio, broadcasting and transmitting equipment	10% – 20%
Furniture, fixtures and equipment	5% – 25%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

During the year, the Group reviewed the estimated useful lives of property, plant and equipment and changed the depreciable rates of certain items under "Building", "Studio, broadcasting and transmitting equipment" and "Furniture, fixtures and equipment". The detail and effect of such changes in accounting estimates are set out in Note 6.

2.6 Investment properties

Investment properties are defined as properties held to earn rentals or for capital appreciation or both. The Group has applied the cost model to its investment property. The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.9). The cost of investment property comprises its purchase price and any directly attributable expenditure. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 to 25 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the consolidated income statement when the changes arise.

2.7 Land use rights

The upfront prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the rights.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary, an associate or a joint venture over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately in the consolidated statement of financial position (Note 2.2(a)). Goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures, respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are recognised immediately as expenses and are not subsequently reversed. The determination of gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(b) Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 – 15 years.

2.9 Impairment of investments in subsidiaries, associates, joint ventures and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines at each reporting date whether there is any objective evidence that these investments and other non-financial assets are impaired. An impairment loss is recognised in the income statement for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets constituting the discontinued operation.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt investments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as a separate line item in the income statement.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other revenues when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses), net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost.

The amount of ECL is reassessed at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. ECL is the weighted average credit losses with the probability of default as the weight. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessments are performed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime ECL to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales over a period of 12-24 months before the end of reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread for the bond securities;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtors.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group categorises a loan or receivable for write off when the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Programmes and film rights

Programmes and film rights are stated at cost less amounts expensed and any provision considered necessary by management.

(a) Programme cost

Programme cost comprises direct expenditure and an appropriate proportion of production overheads.

The cost of programmes is apportioned between the domestic terrestrial TV/over-the-top ("OTT") markets and the overseas licensing and distribution market. In the case of the former, the cost is expensed based on the number of planned transmission, and in the latter, the cost is expensed based on the expected distribution to licensees. The cost of programmes are generally expensed in both domestics and overseas markets based on the estimated consumption/viewership pattern of the programmes, which may be on an accelerated or straight-line basis, as appropriate.

For the co-produced programmes under co-production agreement, the related programme cost is apportioned according to the expected income generated from domestic terrestrial TV/OTT markets and the co-production income for the drama production and the sale of exclusive programme exploitation right in defined geographical areas to co-producers. The Group expenses co-production costs based on in the same ratio that current period actual co-production income (numerator) bears to contracted total co-production income (denominator), with reference to the percentage of completion of drama production.

(b) Film rights

Film rights are expensed in accordance with a formula computed to amortise the cost over the contracted number of transmissions or contracted licensing periods, which is more relevant and prevailing.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Stocks

Stocks, comprising decoders, tapes, computer hard discs, video compact discs, digital video discs, OTT set-top boxes and consumable supplies, are stated at the lower of cost and net realisable value. The cost of video compact discs and digital video discs is calculated on a weighted average basis whereas the cost of other stocks is calculated on a first in first out basis. Net realisable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Movie investments

Movie investments are stated at initial investment cost and adjusted thereafter with expected future net income arising from distribution and licensing of the movies.

The Group has certain investments in movie projects which entitles the Group to receive a variable income based on the Group's investment amount as specified in respective agreements. Based on both internal and external market information available on movie investments, management reviews and revises the projected revenues and related future cash flows of movie investments, as appropriate, to assess whether there are any indicators of impairment or reversal of impairment at least at the end of each reporting period.

2.17 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment, and bank overdrafts.

2.18 Share capital

Ordinary shares are classified as equity.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings and borrowing costs

The Group's borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred income tax.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Share-based payments

Share-based compensation benefits are provided to employees via share option schemes of the Company and Big Big Channel Holdings Limited ("Big Big Channel Holdings").

Employee options

The fair value of options granted under the share option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group transfers the appropriate amount of shares of the Company/Big Big Channel Holdings to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

2.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Employee benefits (continued)

(b) Pension obligations

The Group operates a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administered funds.

All permanent staff, temporary staff and full time artistes signed in individual names (excluding singers and serial artistes), whose employment period reaches 60 days or more (collectively referred to as "eligible members") and who are located in Hong Kong are entitled to participate in the Mandatory Provident Fund Scheme ("MPF Scheme"). The contributions to the MPF Scheme made by the Group for permanent staff who joined prior to 1 June 2003 comprise mandatory contributions and voluntary contributions. The mandatory contribution is calculated at 5% of the individual's "relevant income" with a maximum amount of HK$1,500 per month and the voluntary contribution is calculated at 10% of individual's basic salary less the mandatory contribution. The Group's contribution for permanent staff who joined after 1 June 2003, full time artistes and temporary staff is 5% of individual's "relevant income" with a maximum amount of HK$1,500 per month. "Relevant income" includes salaries, wages, paid leave, fees, commissions, bonuses, gratuities, and allowances (excluding housing allowance/benefits, any redeemed payment and long service payment).

The retirement schemes which cover employees located in overseas locations are defined contribution schemes at various funding rates that are in accordance with the local practice and regulations.

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.24 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2.25 Financial guarantees contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of i) the amount determined in accordance with the expected credit loss model under HKFRS 9; and ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.26 Revenue recognition

Income from advertisers includes advertising income, sponsorship income and commercial production income. Advertising income net of agency deductions is recognised over time (i) when the advertisements are telecast on television, delivered through internet and mobile platforms or published in a media platform; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Group's website and mobile platforms. Sponsorship income is recognised over time when the programmes are telecast. Commercial production income is recognised over time when the commercials are delivered to advertisers.

Co-production income includes programme production income received from co-producers. Its exclusive programme exploitation right in defined geographical areas is granted to co-producer. The co-production income would be recognised over time if the programme-in-progress created by the Group does not have an alternative use due to the contract restrictions and the Group has an enforceable right to payment for performance completed to date.

Income from licensing of programme rights is recognised evenly over the contract period when a customer is granted with a right to access the programme rights as it exists throughout the licence period. Alternatively, Income from licensing programme rights is recognised at a single point in time upon delivery of the programmes when a customer is provided with a right to use the programme rights as it exists at the point in time at which the licence is granted. Income from licensing of content to mobile devices and website portals is recognised over time when the services are rendered. Distribution income from video sell through is recognised at a point in time when the control is transferred to customers upon delivery of the video.

Subscription income from the operation of pay television networks and OTT services are recognised on a straight-line basis over time which generally coincides with when the services are rendered over the contract period. The incremental set-top box costs for obtaining OTT service contracts are required to be capitalised as contract acquisition and fulfilment costs under trade and other receivables in the statement of financial position. Unearned subscription fees received from subscribers are recorded as contract liabilities under trade and other payables and accruals in the statement of financial position.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

E-commerce income primarily comprised of revenue from concessionaire sales and merchandise sales. Revenue from concessionaire sales are recognised for transactions where the Group is not the primary obligor, is not subject to inventory risk, and does not have latitude in establishing prices. Concessionaire sales are recognised on a net basis which is based on a fixed percentage of the sales amount. Revenue from merchandise sales and related costs are recognised on a gross basis when the Group acts as a principal. Revenue from concessionaire sales and merchandise sales are recognised at a point in time when the control of products are transferred to a customer.

Income from sales of decoders is recognised at a point in time upon delivery of products. Movie income is recognised over time when the movie picture is exhibited over a period and the right to receive payment is established. Income from other services, which includes management fee income, facility rental income and other service fee income, is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance.

2.27 Dividend and interest income

Dividend income received from financial assets at FVOCI is recognised as other revenues in the consolidated income statement when the right to receive payment is established.

Interest income on bond securities at amortised cost calculated using the effective interest method is recognised in the consolidated income statement.

2.28 Leases

As explained in Note 2.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is in Note 2.1.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments of fixed payments (including in-substance fixed payments), less any lease incentives receivables.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency risk.

The Group manages this risk by seeking contracts effectively denominated in HK dollars and/or US dollars where possible and economically favourable. The Group currently does not have a foreign currency hedging policy but manages its exposure through closely monitoring the movement of the foreign currency rates and will consider entering into foreign exchange forward contracts to reduce the exposure if required. The Group does not conduct any speculative foreign currency activities.

The following table summarises the change in the Group's loss after taxation in response to reasonably possible changes in foreign exchange rates on currencies to which the Group has exposure at the end of the reporting period and assuming all other variables remain constant. Such exposure relates to the portion of loan, trade receivables, bank deposits, cash and bank balances and trade payables.

	2019		2018	
Foreign currency against Hong Kong dollars	**Changes in foreign exchange rates %**	**Decrease/ (increase) in loss after taxation HK$'000**	Changes in foreign exchange rates %	Decrease/ (increase) in loss after taxation HK$'000
Renminbi	**4%**	**4,867**	6%	9,875
	(4%)	**(4,867)**	(6%)	(9,875)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's principal floating interest bearing assets and liabilities are cash balances, bank deposits, bank overdrafts and short-term bank borrowings. The tenor of the bank deposits is usually less than one year. The Group actively manages cash balances and deposits by comparing quotations from banks, with a view to selecting terms which are most favourable to the Group.

Sensitivity analysis in 2019 and 2018 has been conducted on bank deposits only as the Group's exposure to interest rate risk arising from its bank overdrafts and short-term bank borrowings is considered to be insignificant. If interest rates had been 100 basis-points higher/lower with all other variables held constant, the Group's loss after taxation for the year would have decreased/increased by HK$6,930,550 (2018: HK$6,157,000) in respect of bank deposits.

(b) Credit risk

The Group's credit risk is primarily attributable to its financial assets at amortised cost (including trade and other receivables and bond securities at amortised cost), debt securities at FVPL, bank balances and financial guarantee contracts. The Group has implemented policies to assess the credit worthiness of customers, and to conduct credit reviews and monitoring procedures that include a formal collection process. The credit risk on bank balances is limited as the banks are of acceptable credit ratings. The credit risk on trade receivables is not considered significant given the majority of credit sales relate to reputable advertising agencies with no recent history of default. In addition, the Group reviews the recoverable amount of each individual trade debtor, associate and joint venture at the end of each reporting period to ensure that impairment has been adequately provided at the expected loss rates, which are adjusted from the historical loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The loss allowance of trade receivables was determined and disclosed in Note 16. The Group also assessed the loss allowance on other receivables and deposits by individual assessment on 12 months' expected loss basis as there had been no significant increase in credit risk since initial recognition. Based on the assessment, no loss allowance was recognised on other receivables and deposits for the year.

In calculating the credit loss allowance for bond securities at amortised cost and for the exposure arising from financial guarantee contracts, the loss rates, which involve key estimates from the management, are estimated based on a function of comparable probability of default, recovery rate quoted from international credit-rating agencies after adjustments to specific conditions and exposure at default and adjusted for forward-looking information that is available without undue cost or effort.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Except for the credit impaired bond securities at amortised cost disclosed in Note 13, the Group assesses that the credit risk on investment in other bond securities at amortised cost has not increased significantly and the loss allowance was therefore limited to 12 months' expected losses. Management consider those bonds securities have a low risk of default, as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The credit ratings of the investments are monitored for credit deterioration. No loss allowance was recognised during the year on the bond securities at amortised cost based on the assessment.

No significant changes to estimation techniques or assumptions were made during the year.

The loss allowance for bond securities at amortised cost with significant increase in credit risk and/or being credit-impaired is measured at an amount equal to lifetime expected losses as at 31 December and it reconciles to the opening loss allowance as follows:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018	–	–	–
Increase in the allowance recognised in profit or loss during the year	26,000	180,125	206,125
At 31 December 2018 and 1 January 2019	26,000	180,125	206,125
Increase in the allowance recognised in profit or loss during the year	–	88,000	88,000
At 31 December 2019	**26,000**	**268,125**	**294,125**

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.

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. Please refer to the details in Note 14.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group employs cash flow forecasting to manage liquidity risk by forecasting the amount of cash required (including working capital, loan repayments, dividend payments and potential new investments) and by maintaining sufficient cash and adequate undrawn banking facilities to ensure our funding requirements are met.

The Group's financial liabilities include trade payables, other payables, accruals, borrowings and lease liabilities. The trade payables and other payables are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and amounts owing are paid upon the counterparty's formal notification, of which should be within 12 months from the end of the reporting period.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including future interest payments).

	2019			2018	
	Borrowings HK$'000	**Trade and other payables and accruals HK$'000**	**Lease liabilities HK$'000**	Borrowings HK$'000	Trade and other payables and accruals HK$'000
Within 1 year	**410,811**	**334,476**	**36,192**	137,472	406,627
Between 1 and 2 years	**1,946,584**	**–**	**28,889**	110,090	–
Between 2 and 5 years	**–**	**–**	**7,548**	3,147,068	–
	2,357,395	**334,476**	**72,629**	3,394,630	406,627

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratios. This ratios are calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity as shown in the consolidated statement of financial position is total capital.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The gearing ratio at 31 December 2019 and 2018 was as follows:

	2019 **HK$'000**	2018 HK$'000
Net debt (Note 35(c))	**1,175,394**	1,832,413
Total equity	**5,588,662**	6,307,031
Gearing ratio		
– Net debt to total equity ratio	**21.0%**	29.1%

3.3 Fair value estimation

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2019 and 2018, the fair value measurement of the Group's financial assets at FVOCI and FVPL is classified in level 3.

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

The major methods and assumptions used in estimating the fair values of financial assets at FVPL are detailed in Note 14.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Financial assets at amortised cost

The loss allowances for financial assets at amortised cost (including trade receivables and bond securities at amortised cost) are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used for bond securities at amortised cost and FVPL and trade receivables are disclosed in Notes 3.1(b), 13, 14 and 16 respectively.

(b) Useful lives of property, plant and equipment and investment properties

In accordance with HKAS 16 and HKAS 40, the Group estimates the useful lives of property, plant and equipment and investment properties in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical conditions of the assets concerned.

(c) Deferred income tax assets

Deferred income tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax charge in the period in which such estimate has been changed.

(d) Programme costs and film rights

The Group allocates and amortises the programme costs and film rights to each of the terrestrial TV platform, digital new media platform and licensing and distribution market based on their potential benefits brought to the Group and the expected consumption pattern. Management regularly reviews the basis of the allocation and amortisation and will adjust the allocation and amortisation method when the expected changes in respective economic benefit, consumption pattern or consumption rate arise. Impairment loss is recognised when there is an indication that the estimated recoverable amount of individual programme is less than its carrying value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS(continued)

(e) Fair value estimation of the financial assets at FVPL

The fair value of financial assets at FVPL that are not traded in an active market is determined using valuation techniques. The Group assesses its fair value of the financial assets at FVPL by reference to valuation performed by the independent professional qualified valuer. Waterfall analysis under liquidation basis for current year and discounted cash flow model under income approach for last year are used for valuation of the fair value and they are dependent on certain key assumptions that required significant management judgement. The key assumptions used in estimating the fair value are detailed in Note 14.

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION

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

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

	2019 **HK$'000**	2018 HK$'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

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

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

The Group has following reportable segments:

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

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

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

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND 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		Overseas pay TV and TVB Anywhere		Other activities		Corporate support		Elimination		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**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	**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	**690**	70	**-**	13,831	**-**	-	**-**	-	**290,715**	247,764
Over time	**2,167,551**	2,899,258	**441,043**	400,562	**113,238**	84,121	**488,876**	664,828	**143,200**	140,169	**4,139**	40,604	**-**	-	**-**	-	**3,358,047**	4,229,542
External customers	**2,190,178**	2,923,441	**442,067**	402,050	**128,523**	87,274	**739,965**	869,867	**143,890**	140,239	**4,139**	54,435	**-**	-	**-**	-	**3,648,762**	4,477,306
Inter-segment	**43,948**	49,721	**24,271**	42,847	**65,256**	15,296	**64,102**	60,588	**1,200**	-	**676**	7,905	**105,925**	66,555	**(305,378)**	(242,912)	**-**	-
Total	**2,234,126**	2,973,162	**466,338**	444,897	**193,779**	102,570	**804,067**	930,455	**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	**(303,636)**	194,321	**39,690**	15,625	**43,755**	(19,437)	**411,997**	414,340	**(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)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(36,703)**	(206,125)
Fair value loss on financial assets at fair value through profit or loss	**(330,015)**	(320,000)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(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	**(670,354)**	(331,804)	**39,690**	15,625	**43,755**	(19,437)	**411,997**	414,340	**(9,776)**	(15,506)	**16,650**	10,307	**(151,657)**	(150,373)	**-**	-	**(319,695)**	(76,848)
Interest income #	**137,088**	198,914	**194**	29	**14**	6	**12,154**	10,407	**72**	56	**513**	1,445	**-**	-	**(47,771)**	(21,645)	**102,264**	189,212
Finance costs	**(1,861)**	-	**(55)**	-	**(54)**	-	**(80)**	-	**(15)**	-	**-**	-	**(152,657)**	(150,140)	**47,771**	21,645	**(106,951)**	(128,495)
Depreciation and amortisation	**(286,137)**	(295,622)	**(83,509)**	(90,970)	**(6,224)**	(5,221)	**(13,976)**	(12,013)	**(7,317)**	(5,872)	**(4,516)**	(5,003)	**(28,458)**	(6,065)	**-**	-	**(430,137)**	(420,766)
Additions to non-current assets*	**182,507**	249,582	**68,991**	76,148	**9,969**	3,262	**8,682**	8,346	**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

5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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

	2019 HK$'000	2018 HK$'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 HK$'000	2018 HK$'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

An analysis of the Group's non-current assets, other than financial instruments and deferred income tax assets, by geographical location is as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong	**2,167,818**	2,148,554
USA and Canada	**719,263**	718,517
Mainland China	**68,898**	75,159
Taiwan	**40,016**	40,349
Other territories	**728**	857
	2,996,723	2,983,436

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Studio, broadcasting and transmitting equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2018	1,202,605	60,092	2,683,341	1,379,192	49,091	5,374,321
Exchange differences	(901)	(443)	(1,097)	(464)	(16)	(2,921)
Additions	–	5,596	119,281	218,503	2,635	346,015
Disposals	(22,928)	(1,582)	(118,063)	(30,163)	(1,938)	(174,674)
At 31 December 2018	1,178,776	63,663	2,683,462	1,567,068	49,772	5,542,741
Balance at 1 January 2019 as originally stated	1,178,776	63,663	2,683,462	1,567,068	49,772	5,542,741
Change in accounting policy as set out in Note 2.1(a)	74,380	–	–	8,374	–	82,754
Restated balance at 1 January 2019	1,253,156	63,663	2,683,462	1,575,442	49,772	5,625,495
Exchange differences	(132)	(126)	(479)	(257)	–	(994)
Additions	11,213	3,835	165,505	135,160	232	315,945
Disposals	–	(3,428)	(73,754)	(20,945)	(1,098)	(99,225)
Disposal of a subsidiary (Note 40)	(8,350)	–	–	–	–	(8,350)
At 31 December 2019	**1,255,887**	**63,944**	**2,774,734**	**1,689,400**	**48,906**	**5,832,871**
Accumulated depreciation and impairment						
At 1 January 2018	651,117	51,161	1,997,368	760,607	39,533	3,499,786
Exchange differences	(264)	(425)	(1,082)	(323)	(15)	(2,109)
Charge for the year (Note 26)	42,782	7,750	172,354	177,534	5,066	405,486
Written back on disposals	(22,927)	(650)	(116,878)	(29,099)	(1,938)	(171,492)
At 31 December 2018	670,708	57,836	2,051,762	908,719	42,646	3,731,671
At 1 January 2019	670,708	57,836	2,051,762	908,719	42,646	3,731,671
Exchange differences	(96)	(125)	(480)	(165)	–	(866)
Charge for the year (Note 26)	58,268	4,152	181,801	146,904	4,142	395,267
Written back on disposals	–	(3,427)	(73,279)	(20,647)	(1,098)	(98,451)
Disposal of a subsidiary (Note 40)	(2,804)	–	–	–	–	(2,804)
At 31 December 2019	**726,076**	**58,436**	**2,159,804**	**1,034,811**	**45,690**	**4,024,817**
Net book value						
At 31 December 2019	**529,811**	**5,508**	**614,930**	**654,589**	**3,216**	**1,808,054**
At 31 December 2018	508,068	5,827	631,700	658,349	7,126	1,811,070

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) During the year, after reviewing the current condition of certain items under "Building", "Studio, broadcasting and transmitting equipment" and "Furniture, fixtures and equipment", the Group considered the estimated useful lives of the above categorises would change from previously anticipated. As a result, the Group changed the estimated annual depreciable rates of such (i) building from 4% to 2.27%; (ii) studio, broadcasting and transmitting equipment from 15% to 12.5%; and (iii) furniture, fixtures and equipment from 25% to 15% respectively, which could more accurately and appropriately reflect the changes in the Group's expected consumption pattern of economic benefits embodied in these assets.

Pursuant to such reassessment, the change in accounting estimates decreased depreciation expense by approximately HK$49,874,000 for the year ended 31 December 2019. The effect of such changes in depreciable rates represents a temporary difference, therefore does not have any effect on the total depreciation expenses of those assets throughout the assets' lives.

(b) At 31 December 2018, the net book values of leasehold land held under finance leases were analysed as follows:

	2019 HK$'000	2018 HK$'000
Leases of between 10 to 50 years	–	129,036
Leases of over 50 years	–	4,686
	–	133,722

(c) Leases

(i) Amounts recognised in the consolidated statement of financial position

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

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
Properties	**57,221**	74,380
Equipment	**14,073**	8,374
Leasehold land	**124,469**	133,722
Land use rights (Note 8)	**45,874**	49,486
	241,637	265,962

In the previous year, the Group only recognised leased assets in relation to leases that were classified as 'finance lease' under HKAS 17 Leases. The assets were presented in property, plant and equipment and land use rights. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 2.1(a)(iv).

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$20,015,000.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(c) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2019 **HK$'000**	2018 HK$'000
Depreciation charge of right-of-use assets		
Properties	**28,178**	–
Equipment	**3,282**	–
	31,460	–
Interest expenses (included in finance cost)	**2,585**	–
Expense relating to short-term leases (included in general and administrative expenses)	**16,421**	–
Expense relating to low-value assets that are not shown above as short-term leases (included in general and administrative expenses)	**7**	–

The total cash outflow for leases during the year ended 31 December 2019 was HK$32,657,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years with no defined extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

7 INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2018	41,215
Exchange differences	(1,248)
At 31 December 2018	39,967
At 1 January 2019	39,967
Exchange differences	111
Additions	306
At 31 December 2019	**40,384**
Accumulated depreciation	
At 1 January 2018	10,109
Charge for the year (Note 26)	846
Exchange differences	(355)
At 31 December 2018	10,600
At 1 January 2019	10,600
Charge for the year (Note 26)	816
Exchange differences	(13)
At 31 December 2019	**11,403**
Net book value	
At 31 December 2019	**28,981**
At 31 December 2018	29,367
Fair values (note)	
At 31 December 2019	**53,233**
At 31 December 2018	52,556

Note:

The Group's investment properties were valued at 31 December 2019 and 2018 by independent valuers who hold a recognised relevant professional qualification and have recent relevant experience of the investment properties valued. The valuations were determined using the direct comparison approach with reference to the comparable properties in close proximity and investment approach with reference to current market rental, where appropriate. The most significant inputs into these valuation approaches are unit price and unit rent per square foot or square metre. The current use of investment properties equates to the highest and best use. As at 31 December 2019 and 2018, the fair value measurement of the investment properties is included in level 3.

8 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**49,486**	54,301
Amortisation (Note 26)	**(2,978)**	(3,087)
Exchange differences	**(634)**	(1,728)
At 31 December	**45,874**	49,486

9 INTANGIBLE ASSETS

	Software development cost **HK$'000**
Year ended 31 December 2018	
Opening net book amount	85,587
Additions	65,969
Amortisation charge (Note 26)	(11,347)
Exchange differences	(49)
Closing net book amount	140,160
At 31 December 2018	
Cost	156,746
Accumulated amortisation	(16,586)
Net book amount	140,160
Year ended 31 December 2019	
Opening net book amount	140,160
Additions	82,506
Amortisation charge (Note 26)	(31,076)
Exchange differences	26
Closing net book amount	**191,616**
At 31 December 2019	
Cost	235,445
Accumulated amortisation	(43,829)
Net book amount	**191,616**

10 INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'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

	2019 HK$'000	2018 HK$'000
At 1 January	**737,617**	796,206
Add: investment costs and fund advanced to a joint venture	**2,550**	–
Less: repayment of fund advanced	**(2,000)**	(12,159)
Add: interest receivables from a joint venture	**77,707**	65,967
Share of losses for the year	**(60,222)**	(113,968)
Exchange differences	**(4,097)**	1,571
At 31 December	**751,555**	737,617

10 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 nor 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. The maximum exposure to credit risk is the carrying values of the loan and receivable above.

Details of the principal joint venture of the Group are listed below:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
#Imagine Tiger Television, LLC	United States	Provision of finance for the development and production of television programmes	Class A units of US$25,591,000	§100%

\# Joint venture held indirectly by the Company

All joint ventures are private companies and there are no quoted market prices available for their shares. They are all accounted for using the equity method.

There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

The joint ventures are strategic for the Group's investments in the Hong Kong retail sales and movie market and the United States TV market.

10 INTERESTS IN JOINT VENTURES (continued)

Summarised statements of financial position of the joint ventures that are material to the Group and reconciliations to the carrying amount of the Group's share of net assets/(liabilities) of the joint ventures:

	As at 31 December 2019#			As at 31 December 2018#		
	ITT Δ HK$'000	Others HK$'000	Total HK$'000	ITT HK$'000	Concept Legend HK$'000	Total HK$'000
Assets						
Cash and cash equivalents	**373,751**	**9,777**	**383,528**	700,556	8,752	709,308
Other current assets (excluding cash and cash equivalents)	**262,944**	**2,473**	**265,417**	28,150	1,815	29,965
Total current assets	**636,695**	**12,250**	**648,945**	728,706	10,567	739,273
Total non-current assets	**–**	**3,753**	**3,753**	–	–	–
	636,695	**16,003**	**652,698**	728,706	10,567	739,273
Liabilities						
Current financial liabilities (excluding trade payables)	**–**	**(38,498)**	**(38,498)**	–	(39,462)	(39,462)
Other current liabilities (including trade payables)	**(56,292)**	**(14,392)**	**(70,684)**	(30,706)	(5,364)	(36,070)
Total current liabilities	**(56,292)**	**(52,890)**	**(109,182)**	(30,706)	(44,826)	(75,532)
Total non-current financial liabilities	**(706,696)**	**–**	**(706,696)**	(584,752)	–	(584,752)
	(762,988)	**(52,890)**	**(815,878)**	(615,458)	(44,826)	(660,284)
Net assets/(liabilities)	**(126,293)**	**(36,887)**	**(163,180)**	113,248	(34,259)	78,989
Share of net (liabilities)/assets in joint ventures	**(126,293)**	**(18,022)**	**(144,315)**	113,248	(17,129)	96,119
Add: Capitalised professional fees	**6,604**	**–**	**6,604**	6,640	–	6,640
Add: Unrecognised loss in excess of investment costs	**119,689**	**–**	**119,689**	–	–	–
Carrying value*	**–**	**(18,022)**	**(18,022)**	119,888	(17,129)	102,759

* excluding fund advanced, loan and interest receivable

Δ The Group shares 100% of ITT's loss with reference to the agreement in relation to formation of ITT.

10 INTERESTS IN JOINT VENTURES (continued)

Summarised consolidated statements of comprehensive income:

	For the year ended 31 December 2019#			For the year ended 31 December 2018#		
	ITT HK$'000	Others HK$'000	Total HK$'000	ITT HK$'000	Concept Legend HK$'000	Total HK$'000
Revenue	392,062	469	392,531	–	25	25
Interest income	8,463	16	8,479	8,282	–	8,282
Depreciation	–	–	–	–	–	–
Interest expense	(60,747)	–	(60,747)	(65,967)	–	(65,967)
Profit/(loss) from operations	(179,748)	(2,779)	(182,527)	(114,866)	519	(114,347)
Income tax credit	–	–	–	–	58	58
Post-tax profit/(loss) for the year	(179,748)	(2,779)	(182,527)	(114,866)	577	(114,289)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income/(loss)	(179,748)	(2,779)	(182,527)	(114,866)	577	(114,289)
Dividends received from joint ventures	–	–	–	–	–	–

The financial position and result of 上海翡翠珍宝文化传媒有限公司 is not presented in 2019 and 2018 as this joint venture ceased business in 2016 and liquidated in 2019. The carrying value of interest in this joint venture has been fully impaired as at 31 December 2018.

11 INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Investment costs	174,000	174,000
Less: accumulated share of losses	(1,578)	(4,906)
Less: accumulated share of other comprehensive loss	(10,413)	(6,965)
	162,009	162,129

	2019 HK$'000	2018 HK$'000
At 1 January	162,129	169,486
Share of profit for the year	3,328	809
Share of other comprehensive loss	(3,448)	(8,166)
At 31 December	162,009	162,129

11 INTERESTS IN ASSOCIATES (continued)

Details of the material associate are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Percentage of ownership interest
#Shine Investment Limited	Cayman Islands	Investment holding	Voting Class A Shares of US$1 each	§15%
			Non-voting Class B Shares of US$1 each	§100%

\# an associate held directly by the Company

§ The Group holds 40% economic interest in Shine Investment Limited.

The associate is a private company and there is no quoted market price available for its shares. It is all accounted for using the equity method.

There are no contingent liabilities relating to the Group's interest in the associates.

The associate is strategic for the Group's investment in the movie industry.

11 INTERESTS IN ASSOCIATES (continued)

Summarised statement of financial position of Shine Investment Limited that is material to the Group and reconciliation to the carrying amount of the Group's share of net assets of the associate:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Assets		
Current financial assets	**1,138**	1,138
Interest in an associate	**404,495**	404,795
	405,633	405,933
Liabilities		
Current financial liabilities	**(350)**	(350)
Net assets	**405,283**	405,583
Interest in associates (40%) and carrying value	**162,113**	162,233

Summarised consolidated statement of comprehensive income:

	For the year ended 31 December 2019 HK$'000	For the year ended 31 December 2018 HK$'000
Revenue	**–**	–
Share of profit of associate	**8,320**	2,284
Post-tax profit for the year	**8,320**	2,284
Other comprehensive loss	**(8,620)**	(20,416)
Total comprehensive loss	**(300)**	(18,132)
Dividends received from associate	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
At 1 January	**39,775**	47,436
Change in fair value	**–**	(7,661)
At 31 December	**39,775**	39,775

Details of material financial assets at fair value through other comprehensive income are as follows:

Name	**Place of incorporation**	**Place of operation**	**Principal activities**	**Particular of issued shares held**	**Percentage of ownership interest**
CMC Flagship Limited	Cayman Islands	Cayman Islands	Investment holding	Ordinary shares of US$1 each	10%
Fairchild Television Limited	Canada	Canada	Operation of specialty television channels	Ordinary shares of C$1 each	20%

As these equity instruments are not held for trading, the Group has irrecoverably elected to measure these financial assets at FVOCI. These financial assets at FVOCI are denominated in US dollars and Canadian dollars and their fair values are included in level 3 fair value hierarchy. The maximum exposure to credit risk is the carrying value of the financial assets at FVOCI.

13 BOND SECURITIES AT AMORTISED COST

	2019 HK$'000	2018 HK$'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 as detailed in Note 13(b) and Note 13(c) respectively) carry 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 received and receivable 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 (2018: HK$15,632,000) with gain on disposal amounted to HK$21,297,000 (2018: Nil).

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

13 BOND SECURITIES AT AMORTISED COST (continued)

Notes:

(b) SMI Fixed Coupon Bonds

On 23 April 2018, the Group subscribed a US$23,000,000 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021) ("Fixed Coupon Bonds") issued by SMI. Trading in SMI's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 3 September 2018. The suspension of trading of SMI's shares for a period of more than ten consecutive trading days has triggered an event of default for Fixed Coupon Bonds in accordance with the subscription agreement. SMI has made announcements that since its trading suspension, SMI and certain of its subsidiaries have defaulted in certain borrowings. Pursuant to SMI's announcement dated 12 March 2019, it has commenced negotiation with the creditors concerning the debt restructuring process, including prospective conversion of outstanding debts into equity, and raising of capital by prospective subscription of new shares of SMI. However, no agreement or material terms in relation to the above arrangements have been entered into or agreed between the Group and its lenders or creditors.

In view of the above background, management performed an impairment assessment of the credit-impaired Fixed Coupon Bonds using a lifetime expected credit loss 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 ("2018 annual results") 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 14. The management considered the full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2019.

13 BOND SECURITIES AT AMORTISED COST (continued)

Notes:

(c) CERC Bonds

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

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

On 24 December 2018, the Group had received coupon interests from CERC Bonds. Based on the review of the Report and the receipt of the bond interests, management believes that CERC has both the intention and ability to settle the outstanding balances in an extended schedule. The Group has approached the impairment assessment under the 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 its restructuring progress. On this basis, an impairment loss of HK$26 million was made during the year ended 31 December 2018.

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

13 BOND SECURITIES AT AMORTISED COST (continued)

Notes:

(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.

14 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 13, 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.

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

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 13(b) 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.

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 Pledge.

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. A court hearing date has been fixed for 1 April 2020.

The recent outbreak of novel coronavirus pneumonia (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.

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

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

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 another 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 principle is no longer valid for SMI. The recoverable amount under the waterfall analysis is calculated by assumed realisable value from different classes of SMI's assets after discount rates ranging from 10% to 100% and liquidation cost of 6.5% less estimated borrowings and operating liabilities of SMI Group with higher seniority of claim than the SMI Bonds. These key inputs and assumptions are based on the 2018 unaudited results announcement of SMI, information on borrowings and pledged assets at SMI's subsidiary level based on external researches, and the market data on realisable value of assets. Based on the assessment of SMI's recoverable amount by the valuer, the management are of the view that any recovery of the remaining carrying value of the SMI Bonds through the winding up petition of SMI, is not likely. As such, the Group recognised a further fair value loss of HK$330,015,000 on the Convertible Bonds for the year ended 31 December 2019, reducing the carrying amount to zero at 31 December 2019.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of these investments of HK$Nil (2018: HK$330,015,000).

15 STOCKS

At 31 December 2019 and 2018, all stocks were stated at the lower of cost and net realisable value.

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 HK$'000	2018 HK$'000
Non-current		
Prepayments related to capital expenditure	**51,284**	83,982
Current		
Trade receivables from:		
Associates (Note 41(c))	**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

16 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 dates was as follows:

	2019	2018
	HK$'000	HK$'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

The percentages of amounts of trade receivables (before impairment loss) are denominated in the following currencies:

	2019	2018
	%	%
Hong Kong dollars	**75**	73
Renminbi	**17**	20
US dollars	**2**	3
Malaysian Ringgit	**3**	2
Other currencies	**3**	2
	100	100

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses using a provision matrix, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates. As at 31 December 2019, the gross carrying amount of the trade receivables and the loss allowance provision analysed by ageing band are set out below.

	Gross carrying amount HK$'000	Loss Allowance provision HK$'000	Expected loss rate %
Up to 5 months	972,972	23,354	2%
Over 5 months to 1 year	232,369	17,958	8%
Over 1 year	35,346	10,438	30%
	1,240,687	51,750	

The carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

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

17 MOVIE INVESTMENTS

	2019 HK$'000	2018 HK$'000
At 1 January	**8,118**	–
Additions	**63,954**	23,546
Losses on movie investments	**(5,080)**	(15,428)
At 31 December	**66,992**	8,118

The carrying amounts of movie investments approximate their fair values.

18 RESTRICTED CASH, BANK DEPOSITS MATURING AFTER THREE MONTHS AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Restricted cash	**–**	1,406
Unrestricted cash		
Bank deposits maturing after three months	**79,137**	56,928
Cash and cash equivalents	**1,105,611**	1,211,892
	1,184,748	1,268,820
	1,184,748	1,270,226
Analysis of cash and cash equivalents		
Short-term bank deposits	**699,528**	658,209
Cash at bank and on hand	**406,083**	553,683
	1,105,611	1,211,892

18 RESTRICTED CASH, BANK DEPOSITS MATURING AFTER THREE MONTHS AND CASH AND CASH EQUIVALENTS (continued)

Note:

The maximum exposure to credit risk on bank balances is represented by the carrying amount in the consolidated statement of financial position. The carrying amounts of the restricted cash, bank deposits maturing after three months and cash and cash equivalents approximate their fair values.

Restricted cash, bank deposits maturing after three months and cash and cash equivalents are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong dollars	**337,807**	218,097
US dollars	**336,214**	500,925
Renminbi	**412,163**	306,950
New Taiwan dollars	**16,567**	205,586
Other currencies	**81,997**	38,668
	1,184,748	1,270,226

19 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2018 and 31 December 2018 and 1 January 2019 and 31 December 2019	**438,000**	664,044

20 OTHER RESERVES

	General reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Share-based payment reserve HK$'000	Financial assets at FVOCI reserve HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2018	70,000	(3,741)	104,011	–	–	(21,993)	148,277
Transferred from retained earnings	–	–	8,182	–	–	–	8,182
Exchange differences on translation of foreign operations:							
– Subsidiaries	–	–	–	–	–	(17,649)	(17,649)
– Joint ventures	–	–	–	–	–	848	848
Share of other comprehensive loss of an associate	–	–	–	–	–	(8,166)	(8,166)
Reclassification adjustments of exchange differences to profit or loss on liquidation of a subsidiary	–	–	–	–	–	(671)	(671)
Share-based payments	–	–	–	24,125	–	–	24,125
Change in ownership interests in subsidiaries without change of control (Note 39)	–	(16,958)	–	–	–	(5,086)	(22,044)
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(7,661)	–	(7,661)
Balance at 31 December 2018	70,000	(20,699)	112,193	24,125	(7,661)	(52,717)	125,241
Balance at 1 January 2019	70,000	(20,699)	112,193	24,125	(7,661)	(52,717)	125,241
Transferred from retained earnings	–	–	5,874	–	–	–	5,874
Exchange differences on translation of foreign operations:							
– Subsidiaries	–	–	–	–	–	(11,204)	(11,204)
– Joint ventures	–	–	–	–	–	1,195	1,195
Share of other comprehensive loss of an associate	–	–	–	–	(95)	(3,353)	(3,448)
Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries	–	–	–	–	–	789	789
Reclassification adjustments of exchange to profit or loss on liquidation of a joint venture	–	–	–	–	–	(1,360)	(1,360)
Share-based payments	–	–	–	15,821	–	–	15,821
Balance at 31 December 2019	**70,000**	**(20,699)**	**118,067**	**39,946**	**(7,756)**	**(66,650)**	**132,908**

20 OTHER RESERVES (continued)

General reserve – the reserve set aside out of the profits of the Company that the Directors think fit for, inter-alia, meeting claims on or liabilities of the Company or contingencies or for any other purpose to which the profits of the Company may be properly applied.

Capital reserve – the capital reserve comprises the excess of consideration paid to non-controlling interests for acquisition of additional interest in subsidiaries; the effects of all transactions with non-controlling interests are dealt with in accordance with the accounting policies set out in Note 2.2(b).

Legal reserve – in accordance with the local laws in Taiwan, Taiwan subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 100% of those subsidiaries' share capital; in accordance with the local laws in the PRC, the PRC subsidiaries are required to set aside 10% of annual net income less any accumulated deficit as legal reserve until such reserve reaches 50% of those subsidiaries' registered capital. The application of the legal reserve is restricted to covering operating losses and conversion into share capital/registered capital.

Translation reserve – the translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4.

Share-based payment reserve – the reserve is used to recognise the grant date fair value of options issued to grantees of share options but not yet exercised.

Financial assets at FVOCI reserve – the Group has elected to recognise changes in the fair value of investments in equity securities through OCI, as explained in Note 12. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

21 TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 **HK$'000**	2018 HK$'000
Trade payables to:		
Associates (Note 41(c))	**–**	9,087
Third parties	**83,231**	103,215
	83,231	112,302
Contract liabilities (note (a))	**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

21 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

Note:

(a) On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$120,516,000 was recognised as revenue in 2019 (2018: HK$249,843,000) that was included in the contract liabilities balance as at the beginning of the year.

(b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at 31 December 2019. The Group does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage.

	2019 HK$'000	2018 HK$'000
Within 1 year	**387,865**	314,260
More than 1 year	**472,957**	611,077
	860,822	925,337

At 31 December 2019, the ageing of trade payables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'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

21 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

The percentages of amounts of trade payables are denominated in the following currencies:

	2019 %	2018 %
Hong Kong dollars	**69**	53
US dollars	**24**	42
Renminbi	**6**	5
Other currencies	**1**	–
	100	100

The carrying amounts of trade and other payables and accruals approximate their fair values.

22 BORROWINGS

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

At 31 December 2019 and 2018, borrowings were repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**342,716**	27,382
Between 2 and 5 years	**1,865,660**	3,016,923
	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.

As at 31 December 2019, the Group's short-term bank borrowing maturing on 9 January 2020 bears a borrowing rate of 2.4% per annum.

The carrying amounts of borrowings approximate their fair values.

23 LEASE LIABILITIES

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

	2019
	HK$'000
Within 1 year	**36,192**
Between 2 and 5 years	**36,437**
	72,629

24 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the consolidated statement of financial position are analysed as follows:

	2019	2018
	HK$'000	HK$'000
Net deferred income tax assets recognised on the consolidated statement of financial position	**(7,697)**	(16,060)
Net deferred income tax liabilities recognised on the consolidated statement of financial position	**68,592**	141,560
	60,895	125,500

The movements in the deferred income tax liabilities/(assets) account are as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**125,500**	130,760
Exchange differences	**44**	179
Recognised in the income statement	**(64,581)**	(5,439)
Disposal of a subsidiary	**(68)**	–
At 31 December	**60,895**	125,500

24 DEFERRED INCOME TAX (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2019, the Group has unrecognised tax losses of HK$2,675,406,000 (2018: HK$2,747,733,000) to be carried forward against future taxable income. These tax losses will expire as follows:

	2019 HK$'000	2018 HK$'000
After the fifth year	**4,362**	8,727
No expiry date	**2,671,044**	2,739,006
At 31 December	**2,675,406**	2,747,733

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	**Others HK$'000**	**Total HK$'000**
At 1 January 2018	170,988	39,064	210,052
Recognised in the income statement	835	2,368	3,203
Exchange differences	26	(53)	(27)
At 31 December 2018	171,849	41,379	213,228
Recognised in the income statement	3,557	3,468	7,025
Disposal of a subsidiary (Note 40)	(68)	–	(68)
Exchange differences	–	(22)	(22)
At 31 December 2019	**175,338**	**44,825**	**220,163**

Deferred income tax assets

	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	62,269	17,023	79,292
Recognised in the income statement	9,919	(1,277)	8,642
Exchange differences	(14)	(192)	(206)
At 31 December 2018	72,174	15,554	87,728
Recognised in the income statement	74,672	(3,066)	71,606
Exchange differences	(1)	(65)	(66)
At 31 December 2019	**146,845**	**12,423**	**159,268**

25 RETIREMENT BENEFIT OBLIGATIONS

No forfeited contribution was utilised during the years 2018 and 2019.

Contributions totalling HK$7,288,000 (2018: HK$6,840,000) were payable to the fund at the year end and are included in other payables and accruals.

26 LOSS BEFORE INCOME TAX

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

	2019 **HK$'000**	2018 HK$'000
Net exchange losses	**8,108**	24,513
Gross rental income from investment properties	**(3,538)**	(4,465)
Direct operating expenses arising from investment properties	**696**	699
Loss on disposals of property, plant and equipment	**61**	1,227
Auditors' remuneration		
– Audit services	**6,202**	5,748
– Non-audit services	**3,068**	2,701
Cost of programmes and film rights	**1,747,000**	1,810,229
Cost of movies	**–**	9,812
Cost of other stocks	**27,347**	27,700
Depreciation (Notes 6 and 7)	**396,083**	406,332
Amortisation of land use rights (Note 8)	**2,978**	3,087
Amortisation of intangible assets (Note 9)	**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) (Note 28(a))	**1,554,059**	1,695,466

27 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of all Directors and the chief executive for the years ended 31 December 2019 and 2018 are set out below:

	2019					
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit (note (iii)) HK$'000	Discretionary bonuses (note (iv)) HK$'000	Pension contributions HK$'000	Share-based payment (note (v)) HK$'000	Total HK$'000
Charles Chan Kwok Keung	810	–	–	–	–	810
Li Ruigang	540	–	–	–	–	540
Mark Lee Po On (note (i))	260	7,026	1,350	669	1,846	11,151
Cheong Shin Keong	260	5,047	–	505	923	6,735
Thomas Hui To	260	–	–	–	1,846	2,106
Anthony Lee Hsien Pin	500	–	–	–	–	500
Chen Wen Chi	410	–	–	–	–	410
Raymond Or Ching Fai	655	–	–	–	–	655
William Lo Wing Yan	630	–	–	–	–	630
Caroline Wang Chia-Ling	445	–	–	–	–	445
Allan Zeman	315	–	–	–	–	315
Felix Fong Wo (note (ii))	21	–	–	–	–	21
Belinda Wong Ching Ying (note (ii))	21	–	–	–	–	21
	5,127	12,073	1,350	1,174	4,615	24,339

27 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

	2018					
Name of Director	Fees HK$'000	Salaries, leave pay and other benefit (note (iii)) HK$'000	Discretionary bonuses (note (iv)) HK$'000	Pension contributions HK$'000	Share-based payment (note (v)) HK$'000	Total HK$'000
Charles Chan Kwok Keung	810	–	–	–	–	810
Li Ruigang	540	–	–	–	–	540
Mark Lee Po On (note (i))	260	6,773	2,700	659	2,812	13,204
Cheong Shin Keong	260	4,984	1,606	498	1,407	8,755
Thomas Hui To	293	–	–	–	2,812	3,105
Anthony Lee Hsien Pin	465	–	–	–	–	465
Chen Wen Chi	410	–	–	–	–	410
Raymond Or Ching Fai	625	–	–	–	–	625
William Lo Wing Yan	616	–	–	–	–	616
Caroline Wang Chia-Ling	445	–	–	–	–	445
Allan Zeman	315	–	–	–	–	315
	5,039	11,757	4,306	1,157	7,031	29,290

Notes:

(i) Mr. Mark Lee Po On assumed the functions of the chief executive of the Company.

(ii) Mr. Felix Fong Wo and Ms. Belinda Wong Ching Ying were appointed as independent non-executive directors with effect from 3 December 2019.

(iii) Salary paid to a Director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(iv) Discretionary bonuses are determined and approved in recognition of the Executive Director's performance and contributions to the Company.

(v) As announced on 22 March 2018, the exercise price of share option is HK$25.84 per share. Share-based payment refers to the non-cash benefits recognised as an expense during the year in accordance with HKFRS 2.

(b) Save for contracts amongst group companies, no other significant transactions, arrangements and contracts to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

28 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expense

	2019 HK$'000	2018 HK$'000
Wages and salaries	**1,461,140**	1,590,212
Share-based payment	**10,736**	16,382
Pension costs – defined contribution plans	**82,183**	88,872
	1,554,059	1,695,466

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) Directors whose emoluments are reflected in the analysis presented in Note 27(a) above. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and leave pay	**11,892**	12,051
Bonuses	**1,230**	2,460
Pension contributions	**482**	476
Share-based payment	**2,801**	4,274
	16,405	19,261

The aggregate emoluments paid to the three individuals are further analysed into the following bands:

Emolument bands	**Number of individuals in each band** 2019	2018
HK$5,000,001 – HK$5,500,000	**2**	–
HK$6,000,001 – HK$6,500,000	**1**	2
HK$7,000,001 – HK$7,500,000	**–**	1
	3	3

28 EMPLOYEE BENEFIT EXPENSE (continued)

(c) Senior management's emoluments

Details of emoluments (excluding directors' fees, if any) paid to members of senior management fell within the following bands:

Emolument bands	*Number of individuals in each band	
	2019	2018
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	1
HK$6,000,001 – HK$6,500,000	**1**	1
HK$8,000,001 – HK$8,500,000	**–**	1
HK$10,500,001 – HK$11,000,000	**1**	–
HK$12,500,001 – HK$13,000,000	**–**	1
	5	5

* the above emoluments included two (2018: two) Directors of the Company

29 EMPLOYEE SHARE-BASED PAYMENTS

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

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

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

29 EMPLOYEE SHARE-BASED PAYMENTS (continued)

As at 31 December 2019, the following share options were offered to grantees of the Company under the Share Option Scheme:

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

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

(i) 20% of the Options shall be vested on 1 December 2018 and exercisable from 1 December 2018 to 22 March 2023 (both days inclusive);

(ii) 20% of the Options shall be vested on 1 December 2019 and exercisable from 1 December 2019 to 22 March 2023 (both days inclusive);

(iii) 20% of the Options shall be vested on 1 December 2020 and exercisable from 1 December 2020 to 22 March 2023 (both days inclusive);

(iv) 20% of the Options shall be vested on 1 December 2021 and exercisable from 1 December 2021 to 22 March 2023 (both days inclusive); and

(v) 20% of the Options shall be vested on 1 December 2022 and exercisable from 1 December 2022 to 22 March 2023 (both days inclusive).

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

	2019		2018	
	Average exercise price per share option	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**HK$25.84**	**17,000,000**	N/A	–
Granted during the year	**N/A**	**–**	HK$25.84	17,000,000
As at 31 December	**HK$25.84**	**17,000,000**	HK$25.84	17,000,000
Vested and exercisable at 31 December	**HK$25.84**	**6,800,000**	HK$25.84	3,400,000

29 EMPLOYEE SHARE-BASED PAYMENTS (continued)

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

Grant date	Expiry date	Exercise price	31 December 2019	31 December 2018
22 March 2018	22 March 2023	HK$25.84	**17,000,000**	17,000,000
Weighted average remaining contractual life of options outstanding at end of year			**3.22 years**	4.22 years

During the year, the equity-settled share-based payments relating to the Share Option Scheme recognised as an expense amounted to HK$15,821,000 (2018: HK$24,125,000).

(a) Fair value of share options granted

The fair value of share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted respectively. The following table lists the inputs to the model used:

Exercise price:	HK$25.84
Grant date:	22 March 2018
Expiry date:	22 March 2023
Share price at grant date:	HK$25.60
Expected price volatility of the Company's shares:	26.235%
Expected dividend yield:	5.386%
Risk-free interest rate:	1.841%

30 OTHER GAINS/(LOSSES), NET

	2019 HK$'000	2018 HK$'000
Net exchange losses	**(8,108)**	(24,513)
Losses on movie and drama investments	**(737)**	(27,647)
Gain on purchase of Notes	**8,687**	6,903
Gain from sales transaction	**30,000**	–
	29,842	(45,257)

31 FINANCE COSTS

	2019 HK$'000	2018 HK$'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

32 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 (Note 24)	**(64,581)**	(5,439)
	(18,273)	52,948

32 INCOME TAX (CREDIT)/EXPENSE (continued)

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate of the place where the Company operates as follows:

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(296,939)**	(124,040)
Calculated at a taxation rate of 16.5% (2018: 16.5%)	**(48,995)**	(20,467)
Effect of different taxation rates in other countries	**(5,800)**	(5,121)
Tax effect on the share of results of associates and joint ventures	**(6,423)**	14,372
Income not subject to taxation	**(31,427)**	(45,067)
Expenses not deductible for taxation purposes	**88,177**	118,589
Tax losses not recognised	**5,817**	15,769
Utilisation of previously unrecognised tax losses	**(13,442)**	(3,487)
Tax credit allowance	**(17,823)**	(16,642)
Withholding tax on overseas dividend	**6,736**	10,933
Others	**(2,388)**	1,879
Under/(over) provisions in prior years	**7,295**	(17,743)
Deferred tax resulting from decrease in overseas tax rates	**–**	(67)
	(18,273)	52,948

33 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.

34 DIVIDENDS

	2019 HK$'000	2018 HK$'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.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operations:

	2019 HK$'000	2018 HK$'000
Loss before income tax	**(296,939)**	(124,040)
Adjustments for:		
Depreciation and amortisation	**430,137**	420,766
Provision for impairment loss on trade receivables	**1,619**	27,458
Reversal of provision for impairment loss on trade receivables	**(67,549)**	(1,038)
Fair value loss on financial assets at fair value through profit or loss	**330,015**	320,000
Impairment loss net of gain on bond securities at amortised cost	**36,703**	206,125
Losses on movie investments	**5,080**	15,428
Non-cash share-based payments	**15,821**	24,125
Share of losses of joint ventures	**60,222**	113,968
Share of profits of associates	**(3,328)**	(809)
Gain on purchase of Notes	**(8,687)**	(6,903)
Gain on disposal of a subsidiary	**(21,049)**	–
Gain on disposal of investment properties	**–**	(27,058)
Loss on disposal of property, plant and equipment	**61**	1,227
Interest income	**(179,971)**	(255,179)
Finance costs	**106,951**	128,495
Exchange differences	**(7,226)**	(2,904)
	401,860	839,661
Increase in programmes, film rights and stocks	**(140,101)**	(95,532)
Decrease/(increase) in trade and other receivables, prepayments and deposits	**606,669**	(396,133)
Increase in movie investments	**(63,954)**	(23,546)
Decrease in trade and other payables and accruals	**(51,191)**	(125,113)
Cash generated from operations	**753,283**	199,337

(b) Non-cash investing and financing activities

As disclosed in Note 10, the Group's capital contribution into ITT of US$7,742,000 (approximately HK$60,489,000) was converted into loan during the year, which was a non-cash transaction.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Net debt reconciliation

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents (net of bank overdraft)	**1,105,611**	1,184,510
Short-term bank borrowings and Notes (Note 22)	**(2,208,376)**	(3,016,923)
Lease liabilities (Note 23)	**(72,629)**	–
Net debt	**(1,175,394)**	(1,832,413)

	Cash and cash equivalents HK$'000	**Liabilities from financing activities**		
		Borrowings HK$'000	**Lease liabilities HK$'000**	**Total HK$'000**
Net debt as at 1 January 2018	831,301	(3,814,406)	–	(2,983,105)
Cash flows	366,275	805,823	–	1,172,098
Foreign exchange adjustments	(13,066)	(8,017)	–	(21,083)
Other non-cash movements	–	(323)	–	(323)
Net debt as at 31 December 2018	1,184,510	(3,016,923)	–	(1,832,413)
Recognised on adoption of HKFRS 16	–	–	(82,754)	(82,754)
Addition in lease liabilities	–	–	(20,015)	(20,015)
Cash flows	(73,855)	798,414	30,125	754,684
Foreign exchange adjustments	(5,044)	8,672	15	3,643
Other non-cash movement	–	1,461	–	1,461
Net debt as at 31 December 2019	**1,105,611**	**(2,208,376)**	**(72,629)**	**(1,175,394)**

36 FINANCIAL GUARANTEES

The amounts of financial guarantees are as follows:

	2019 HK$'000	2018 HK$'000
Guarantees for banking facilities granted to an investee company	**7,754**	7,470

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

37 COMMITMENTS

(a) Capital commitments

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

	2019 **HK$'000**	2018 HK$'000
Contracted for but not provided for	**94,103**	170,540

(b) Contractual programme rights and programme contents commitments

The amounts of commitments for programme rights and programme contents are as follows:

	2019 **HK$'000**	2018 HK$'000
Programme rights and programme contents commitments	**296,759**	190,904

(c) Operating lease commitments as lessee

As at 31 December 2018, the amounts of future aggregate minimum lease payments under non-cancellable operating leases which fall due are as follows:

	2018 HK$'000
Land and buildings	
– not later than one year	31,633
– later than one year and not later than five years	52,286
	83,919
Equipment and transponders	
– not later than one year	12,423
– later than one year and not later than five years	7,895
	20,318
	104,237

The Group leases various premises and buildings for the use as offices and studios under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The Group also leases various plant and machinery under non-cancellable operating lease agreements.

37 COMMITMENTS (continued)

(c) Operating lease commitments as lessee (continued)

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low value leases, see Note 2 and Note 6.

(d) Operating lease commitments as lessor

At 31 December 2019, the Group had contracted with its tenants for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	HK$'000	HK$'000
Land and buildings		
– not later than one year	**758**	1,911
– later than one year and not later than five years	**1,105**	130
	1,863	2,041

38 OBLIGATIONS UNDER TELEVISION BROADCASTING LICENCE

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

39 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 9 November 2018, the Group acquired an additional 15% of the equity interest of 上海翡翠东方传播有限公司 and its subsidiaries ("TVBC Group") for a purchase consideration of RMB63,750,000. The consideration was contingent to subsequent settlement of certain impaired trade debtors balance within five years after the date of acquisition. The carrying amount of the non-controlling interests in TVBC Group on the date of acquisition was HK$49,944,000. The Group recognised a decrease in equity attributable to owners of the Company of HK$16,958,000.

The effect of changes in the ownership interest of TVBC Group and TVBPH Group on the equity attributable to owners of the Company during the year ended 31 December 2018 is summarised as follows:

	2018 HK$'000
Carrying amount of non-controlling interests acquired	49,944
Exchange reserve	5,086
Consideration paid to non-controlling interests	(71,988)
Excess of consideration paid recognised within equity	(16,958)

No acquisition of additional interest in subsidiaries is noted during the year ended 31 December 2019.

40 DISPOSAL OF A SUBSIDIARY

On 27 September 2019, the Group disposed of 100% of the equity interest of Long Wisdom Limited, which is principally engaged in holding a property located in Hong Kong.

Details of net gain on disposal of a subsidiary are summarised as follows:

	2019 HK$'000
Total consideration satisfied by:	
Cash received	**27,336**
Less: Professional fees and other expenses	**(773)**
	26,563
Less: net assets disposed	
Property, plant and equipment (Note 6)	**(5,546)**
Prepayments and deposits	**(26)**
Tax recoverable	**(10)**
Deferred income tax liabilities (Note 24)	**68**
	(5,514)
Gain on disposal of a subsidiary	**21,049**

41 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

	2019 **HK$'000**	2018 HK$'000
Sales of services/goods:		
Associates		
Talent fees	**7,920**	2,554
Computer graphic service fees	**3,058**	–
Drama promotion service fee	**–**	6,000
	10,978	8,554
Purchases of services:		
Associates		
Drama licensing fee	**(8,789)**	(8,312)

Notes:

In 2019, a movie investment of HK$12,000,000 (2018: HK$2,000,000) was paid to an associate of Shine Investment Limited.

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

(b) Key management compensation

	2019 **HK$'000**	2018 HK$'000
Salaries and other short-term employee benefits	**24,537**	28,072
Share-based payments	**5,104**	7,780
	29,641	35,852

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties arising from sales/purchases of services

	2019 **HK$'000**	2018 HK$'000
Receivables from associates (note)	**693**	1,703
Payables to associates	**–**	(9,087)

Note:

As at 31 December 2018, a provision for impairment loss of amounts due from associates of HK$1,458,000 had been provided (Note 16).

(d) Fund advanced/loan to joint ventures

	2019 **HK$'000**	2018 HK$'000
Fund advanced to joint ventures		
Beginning of the year	**29,755**	42,431
Fund advanced	**2,500**	–
Repayment of fund advanced	**(2,000)**	(12,159)
Liquidation of a joint venture	**(9,506)**	–
Exchange differences	**(518)**	(517)
End of the year	**20,231**	29,755
Loan to a joint venture (including interest receivables)		
Beginning of the year	**615,127**	548,151
Conversion from equity contribution	**60,489**	–
Interest accrued	**77,707**	65,967
Exchange differences	**(3,977)**	1,009
End of the year	**749,346**	615,127

Except for the loan and receivables from ITT with details disclosed in Note 10, the other balances due from/(to) related companies are unsecured, interest-free and have no fixed terms of repayment.

42 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.

43 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 on which this set of financial statements were authorised for issue, 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.

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,369,948**	1,379,309
Land use rights	**15,748**	16,163
Intangible assets	**59,919**	61,299
Interests in subsidiaries	**1,508,183**	1,616,946
Interests in joint ventures	**4,781**	6,781
Interests in associates	**174,000**	174,000
Financial assets at fair value through profit or loss	**–**	330,015
Financial assets at amortised cost	**3,255,747**	3,114,043
Prepayments	**44,383**	78,452
Total non-current assets	**6,432,709**	6,777,008
Current assets		
Programmes and film rights	**976,261**	925,141
Stocks	**29,535**	18,606
Trade and other receivables, prepayments and deposits	**1,366,294**	1,829,615
Movie investments	**66,992**	8,118
Financial assets at amortised cost	**125,624**	15,652
Cash and cash equivalents	**401,922**	264,634
Total current assets	**2,966,628**	3,061,766
Total assets	**9,399,337**	9,838,774

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Statement of financial position of the Company (continued)

	2019 HK$'000	2018 HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**664,044**	664,044
Other reserves (Note 44(b))	**109,946**	94,125
Retained earnings (Note 44(b))	**3,584,109**	4,482,024
Total equity	**4,358,099**	5,240,193
LIABILITIES		
Non-current liabilities		
Lease liabilities	**22,824**	–
Deferred income tax liabilities	**22,151**	98,101
Loan due to a subsidiary	**3,881,671**	3,895,695
Total non-current liabilities	**3,926,646**	3,993,796
Current liabilities		
Trade and other payables and accruals	**752,881**	577,403
Borrowings	**342,716**	27,382
Lease liabilities	**18,995**	–
Total current liabilities	**1,114,592**	604,785
Total liabilities	**5,041,238**	4,598,581
Total equity and liabilities	**9,399,337**	9,838,774

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2020 and was signed on its behalf.

Li Ruigang
Director

Mark Lee Po On
Director

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Retained earnings HK$'000	General reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
At 31 December 2017 as originally presented	4,784,971	70,000	–	4,854,971
Change in accounting policy	(7,379)	–	–	(7,379)
Restated as at 1 January 2018	4,777,592	70,000	–	4,847,592
Profit for the year	273,832	–	–	273,832
Share-based payments	–	–	24,125	24,125
Dividends paid	(569,400)	–	–	(569,400)
At 31 December 2018	4,482,024	70,000	24,125	4,576,149
At 1 January 2019	**4,482,024**	**70,000**	**24,125**	**4,576,149**
Loss for the year	**(459,915)**	**–**	**–**	**(459,915)**
Share-based payments	**–**	**–**	**15,821**	**15,821**
Dividends paid	**(438,000)**	**–**	**–**	**(438,000)**
At 31 December 2019	**3,584,109**	**70,000**	**39,946**	**3,694,055**

45 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 25 March 2020.

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Incorporated in Hong Kong

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Shaw Brothers Pictures Limited	20	HK$20	100	100	Production of motion pictures for theatrical release and distribution and artiste management
TVBI Company Limited	200,000	HK$2,000,000	100	100	Investment holding and programme licensing
TVB New Wings Limited	100	HK$100	100	100	Provision of programmes and provision of marketing materials

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in Hong Kong (continued)

Name	Number of shares	Issued and fully paid up share capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Art Limited	10,000	HK$10,000	100	–	Film licensing and distribution
Big Big Channel Holdings Limited	1,085,867,759	HK$2,474,893,304	100	–	Investment holding
Big Big Channel Limited	2	HK$2	100	–	Big Big Channel business
MyTV Super Limited	2	HK$2	100	–	Hong Kong digital new media business
The Voice Entertainment Group Limited	1	HK$1	100	–	Production, licensing and sales of sound recordings
The Voice Music Publishing Limited	1	HK$1	100	–	Publishing and licensing of musical works
TVB Anywhere Limited	10,000	HK$10,000	100	–	Provision of subscription television programmes in overseas markets
TVB Facilities Limited	10,000	HK$10,000	100	–	Provision of services for programme productions
TVB Publications Limited	20,000,000	HK$20,000,000	100	–	Event and digital marketing
TVB Publishing Holding Limited	90,000,000	HK$199,710,000 (note (c))	100	–	Investment holding
TVB Satellite Broadcasting Limited	2	HK$2	100	–	Provision of programming and channel services
TVB Anywhere SEA Limited	2	HK$2	100	–	Provision of subscription television programmes in overseas markets

Incorporated in other territories

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
Television Broadcasts Airtime Sales (Guangzhou) Limited (note (a))	The People's Republic of China	Not applicable	HK$500,000	100	100	Provision of agency services on design, production and exhibition of advertisements
TVB Finance Limited (note (b))	Cayman Islands	1	HK$1	100	100	Corporate finance services
TVB Investment Limited	Bermuda	20,000	US$20,000	100	100	Investment holding
TVB Satellite TV Holdings Limited (note (b))	Bermuda	12,000	US$12,000	100	100	Investment holding
TVBO Production Limited	Bermuda	12,000	US$12,000	100	100	Owner of film rights and programme licensing
广东采星坊演艺咨询服务有限公司 (note (a))	The People's Republic of China	Not applicable	RMB10,000,000	100	100	Provision of consultancy, management and agency services to artistes
上海翡翠东方传播有限公司 (note (a))	The People's Republic of China	Not applicable	RMB200,000,000	70	70	Provision of agency services on advertisements, television programmes, film rights and management services
Countless Entertainment (Taiwan) Company Ltd.	Taiwan	1,000,000	NT$10,000,000	100	–	Investment holding and programme licensing
Big Big Channel Media Limited	Taiwan	10,000,000	NT$100,000,000	100	–	Investment holding and provision of subscription television programmes
Liann Yee Asset Co., Ltd.	Taiwan	3,000,000	NT$30,000,000	100	–	Property investment
TVB Holdings (USA) Inc. (note (a))	USA	10,000	US$6,010,000	100	–	Investment holding and programme licensing and distribution
TVB Macau Company Limited	Macau	Not applicable	MOP25,000	100	–	Provision of services for programme productions

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Incorporated in other territories (continued)

Name	Place of incorporation	Number of shares	Issued and fully paid up share capital/ registered capital note (d)	Attributable interest (%) to the Group	Attributable interest (%) to the Company	Principal activities
TVB (Overseas) Holdings Limited (note (a))	British Virgin Islands	50,000	US$50,000	70	–	Programme licensing
TVB Satellite Platform, Inc. (note (a))	USA	300,000	US$3,000,000	100	–	Provision of satellite and subscription television programmes
TVB Satellite TV Entertainment Limited	Bermuda	12,000	US$12,000	100	–	Provision of satellite and subscription television programmes
TVB (USA) Inc. (note (a))	USA	1,000	US$10,000	100	–	Provision of satellite and subscription television programmes
TVB Video (UK) Limited (note (a))	United Kingdom	1,000	GBP1,000	100	–	Programme licensing
TVBO Facilities Limited	Bermuda	12,000	US$12,000	100	–	Provision of services for programme productions
TVB (Singapore) Pte. Ltd.	Singapore	1	S$1	100	–	Provision of agency services for advertisements and consultancy services

Notes:

None of the subsidiaries have issued any loan capital. Except for TVBO Facilities Limited and TVBO Production Limited which operate worldwide, all subsidiaries operate principally in their place of incorporation.

There is no significant contractual arrangement with the non-controlling interests.

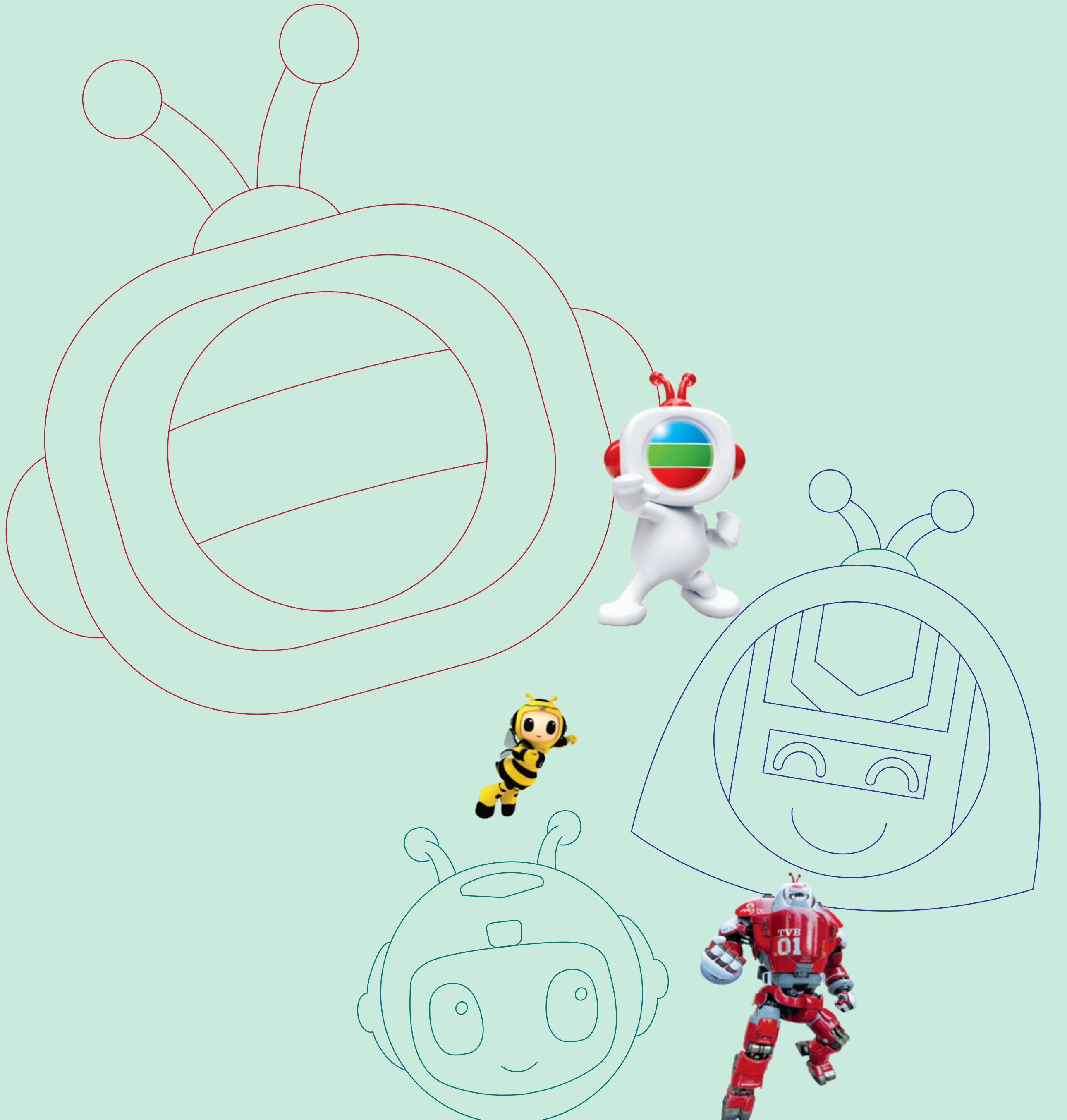
(a) The accounts of these subsidiaries, which do not materially affect the results of the Group, have been audited by firms other than PricewaterhouseCoopers.

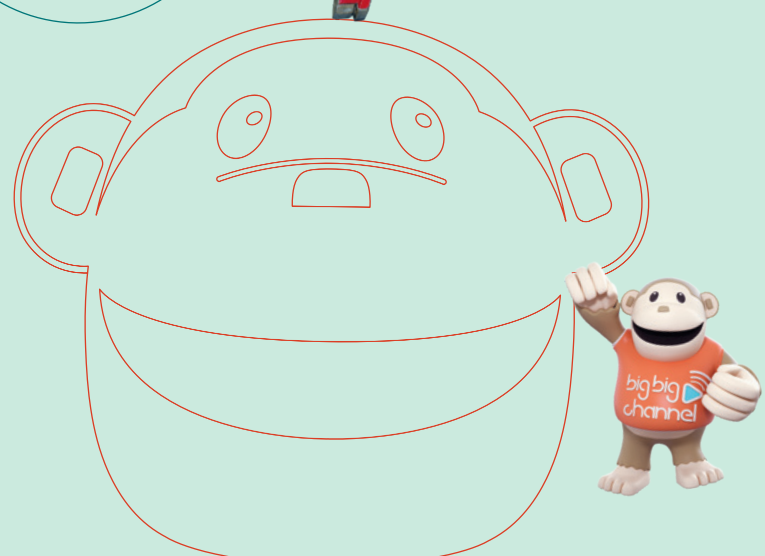
(b) The accounts of these subsidiaries are not audited.

(c) 4,500,000 ordinary shares amounting to HK$38,700,000 remained unpaid as at 31 December 2019.

(d) Represented ordinary share capital, unless otherwise stated.

(e) All principal subsidiaries are limited liability companies.





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