
# TVB 2021 ANNUAL REPORT

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

Hong Kong TV Broadcasting:
The largest free-to-air broadcaster in Hong Kong

Mainland China Operations:
Co-production of programmes, Mai Dui Dui streaming service and dissemination of content in digital platforms

OTT Streaming:
myTV SUPER ranked number 2 in Hong Kong's video streaming platforms

Neigbuy:
Adopts a flash-sales model offering attractive deals

International Operations:
Programme licensing, TVB Anywhere streaming service and dissemination of content in digital platforms

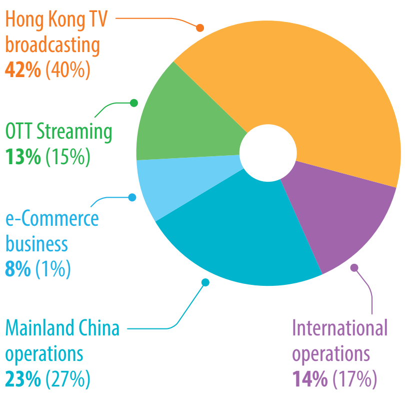
Big Big Shop:
Operates a platform model mainly selling advertiser-sponsored products

Ztore:
A self-operated platform focuses on supplying daily household needs

# FINANCIAL HIGHLIGHTS

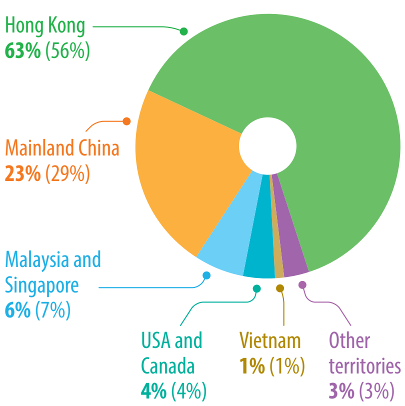
**2021 Revenue from External Customers by Operating Segment**

% relating to 2020 are shown in brackets

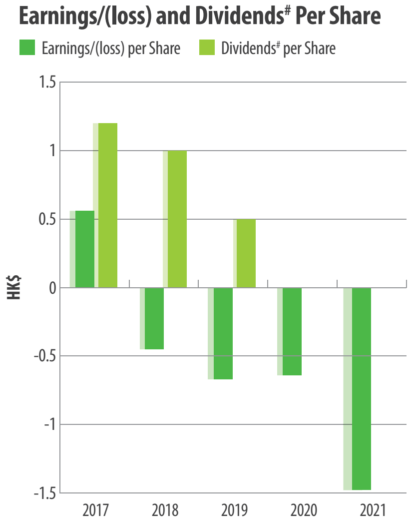



**2021 Revenue by Geographical Locations**

% relating to 2020 are shown in brackets




**Earnings/(loss) and Dividends# Per Share**




# excluding special dividend

| | **2021** | 2020 | Change |
|---|---|---|---|
| **Performance** | | | |
| Loss per share | **HK$(1.48)** | HK$(0.64) | -131% |
| Dividends per share | | | |
| - Interim | **-** | - | |
| - Final | **-** | - | |
| | **-** | - | |
| | **HK$'mil** | HK$'mil | |
| Revenue from external customers | | | |
| - Hong Kong TV broadcasting | **1,225** | 1,082 | 13% |
| - OTT Streaming | **367** | 412 | -11% |
| - e-Commerce business | **238** | 29 | 721% |
| - Mainland China operations | **666** | 742 | -10% |
| - International operations | **403** | 459 | -12% |
| | **2,899** | 2,724 | 6% |
| Segment EBITDA | | | |
| - Hong Kong TV broadcasting | **(570)** | (548) | -4% |
| - OTT Streaming | **37** | 108 | -66% |
| - e-Commerce business | **(93)** | (4) | N/A |
| - Mainland China operations | **189** | 263 | -28% |
| - International operations | **123** | 255 | -52% |
| | **(314)** | 74 | N/A |
| Total expenses^Δ | **3,707** | 3,253 | 14% |
| Loss attributable to equity holders | **(647)** | (281) | -130% |
| | **31 December 2021 HK$'mil** | 31 December 2020 HK$'mil | |
| Total assets | **7,650** | 9,832 | -22% |
| Total liabilities | **3,057** | 4,534 | -33% |
| Total equity | **4,593** | 5,298 | -13% |
| Number of issued shares | **438,000,000** | 438,000,000 | |
| **Ratios** | | | |
| Current ratio | **1.4** | 2.5 | |
| Gearing | **19.2%** | 8.6% | |

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

## BROADCASTING AND PRODUCTION

**500 artistes**

**24.0 TVRs**
average prime time ratings

**77%**
audience share[1] against all channels in Hong Kong

**83%**
audience share[2] in young audience group (below age of 35)

**85%**
audience share[2] in high income group viewership

**22,958 hours**
of total production output

[1] Compared with all TV channels (including free TV, pay TV and OTT channels) in Hong Kong
[2] Compared with all free TV channels in Hong Kong

## STREAMING

### HONG KONG

**9.9 million**
myTV SUPER registered users

**over 1 million**
myTV SUPER paying subscribers

**1.9 million**
myTV SUPER MAU

### MAINLAND CHINA

**76 million**
Followers of TVB-related accounts on Chinese social media platforms[3]

**34 million times**
Mai Dui Dui downloads

**5.6 million**
Mai Dui Dui MAU

### OVERSEAS

**9.0 million**
TVB Anywhere aggregated users[4]

**7.5 million**
TVB YouTube channels subscribers

**20.5 million**
TVB YouTube channels MAU

[3] This includes all TVB-related accounts on Sina Weibo, Douyin, Kuaishou and Xiaohongshu
[4] Together with subscribers from TVB YouTube channels

## E-COMMERCE

**HK$593 million**
proforma GMV

**HK$800**
average value of home delivery order

# CONTENTS

p.22
Hong Kong TV Broadcasting


p.32
OTT Streaming

p.36
E-commerce Business

## Overview



## Management Discussion and Analysis



## Governance



## Financials

# OVERVIEW

# CORPORATE INFORMATION

## CHAIRMAN EMERITUS
The late Sir Run Run SHAW GBM

## BOARD OF DIRECTORS

### CHAIRMAN
Thomas HUI To

### NON-EXECUTIVE DIRECTORS
Thomas HUI To
LI Ruigang
Anthony LEE Hsien Pin
Kenneth HSU Kin

### INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. William LO Wing Yan JP
Dr. Allan ZEMAN GBM, GBS, JP
Felix FONG Wo BBS, JP
Belinda WONG Ching Ying

## BOARD COMMITTEES

### EXECUTIVE COMMITTEE
Thomas HUI To Chairman
LI Ruigang
Eric TSANG Chi Wai General Manager (Content Operations)
SIU Sai Wo General Manager (Business Operations)

### AUDIT COMMITTEE
Dr. William LO Wing Yan Chairman
Anthony LEE Hsien Pin
Felix FONG Wo
Belinda WONG Ching Ying

### REMUNERATION COMMITTEE
Belinda WONG Ching Ying Chairperson
LI Ruigang
Felix FONG Wo

### NOMINATION COMMITTEE
Thomas HUI To Chairman
Anthony LEE Hsien Pin
Dr. Allan ZEMAN
Felix FONG Wo
Belinda WONG Ching Ying

### RISK COMMITTEE
Felix FONG Wo Chairman
Kenneth HSU Kin
Dr. William LO Wing Yan

### INVESTMENT COMMITTEE
Anthony LEE Hsien Pin Chairman
Thomas HUI To
Kitty FUNG Kit Yi Chief Financial Officer and Company Secretary

### REGULATORY COMMITTEE
Felix FONG Wo Chairman
Dr. William LO Wing Yan
Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)

## SENIOR MANAGEMENT
Eric TSANG Chi Wai General Manager (Content Operations)
SIU Sai Wo General Manager (Business Operations)
Desmond CHAN Shu Hung Deputy General Manager (Legal and International Operations)
Kitty FUNG Kit Yi Chief Financial Officer and Company Secretary
Rex CHING Chit Group Chief Technology Officer

## COMPANY SECRETARY
Kitty FUNG Kit Yi
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
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 CODE

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

## AMERICAN DEPOSITARY RECEIPTS

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

## INVESTOR RELATIONS

Winnie FAN Wing Yu
Email: ir@tvb.com.hk
Fax: + 852 2358 1337

## WEBSITE

https://corporate.tvb.com

## CORPORATE CALENDAR

### BOOK CLOSE PERIOD

27 April 2022 to 25 May 2022, both dates inclusive

### ANNUAL GENERAL MEETING

25 May 2022

# 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

## 1976

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

## 1980

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

## 1981

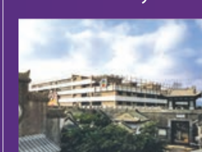
Adopted a programming strategy of broadcasting 2.5 hours of drama serials on Jade during weekday prime time to build viewership momentum

## 1984

HK-TVB was listed on HKSE

## 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

## 2003

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

## 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

## 2008

Adopted high definition broadcasting

## 2011

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

## 2012

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

## 2015

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

## 2016

Launched streaming 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

Celebrated 50th anniversary

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

## 2018

Inaugurated Big Big Shop to monetise audiences' impulsive desire to buy online by marketing advertiser-sponsored products in TVB shows

## 2021

TVB together with its associate Shaw Brothers Holding acquired 75% stake in Ztore Group, which owns and operates two growing e-commerce platforms

# COMMENDATIONS AND AWARDS

**2021 New York Festivals TV & Film Awards**

*"TVB Dares to Care", Finalist in Corporate Image – Corporate Social Responsibility Not For Profit category*

**2021 New York Festivals TV & Film Awards**

*Selena Lee in "Barrack O'Karma", Finalist in Best Performance by an Actress*

**2021 New York Festivals TV & Film Awards**

*"Sidewalk Scientist Coronavirus Special", Finalist in Best Innovation category*

**The 11th China Academy Awards of Documentary Film**

*"No Poverty Land", Nominee of the China Academy Awards of Documentary Film*


**2021 New York Festivals TV & Film Awards**

*Lai Yiu-cheung in "Death By Zero", Bronze World Medal in Best Performance by an Actor*

**2021 New York Festivals TV & Film Awards**

*"Pearl Magazine: An Unexpected Delay", Bronze World Medal in Magazine Feature category*

**2021 New York Festivals TV & Film Awards**

*"Miss Hong Kong Pageant 2020", Bronze World Medal in Best Production Design/ Art Direction category*

**2021 New York Festivals TV & Film Awards**

*"News Magazine: Guard Against Infections", Bronze World Medal in Best Investigative Report category*

**2021 New York Festivals TV & Film Awards**

*"TVB 52nd Anniversary Image – The Rectangle of Happiness", Silver World Medal in Station/Image Promotion category*

**2021 New York Festivals TV & Film Awards**

*"Stanley Ho Special", Finalist in Biography/Profiles category*

**2021 New York Festivals TV & Film Awards**

*"Hong Kong Relaunch", Finalist in Station/ Image Promotion category*

**2021 New York Festivals TV & Film Awards**

*"Death By Zero", Finalist in Best Editing category*

**2021 New York Festivals TV & Film Awards**

*"Lady Cook", Finalist in Culinary Program category*


**ABU Asiavision Annual Awards 2021**

*"Refugee-curated Modelling Agency Inspired by Black Lives Matter", Winner in Outstanding Reporting of a News Story category*

**2021 New York Festivals TV & Film Awards**

*"Death By Zero Promo – Help Wanted", Bronze World Medal in Telenovela Promotion category*

**2021 RTDNA Edward R. Murrow Awards**

*"Sunday Report: A Life for a Life", Regional Winner in News Documentary category*

**2021 New York Festivals TV & Film Awards**

*"Blackshirts, Bedlam and Blood: An Unprecedented National Day in Hong Kong", Bronze World Medal in Coverage of Breaking News Story category*

# VIEWERSHIP HIGHLIGHTS

## Jade Top 5 Dramas TV Ratings

1


**Sinister Beings**
**27.0** TVRs

2


**Plan "B"**
**24.7** TVRs

3


**Lo And Behold**
**24.2** TVRs

4

**Beauty and the Boss**
**23.8** TVRs

5


**Shadow of Justice**
**23.7** TVRs

## Top 5 Variety and Infotainment Programmes TV Ratings

1


**TV Awards Presentation 2020**
**31.0** TVRs

2

**Miss Hong Kong Pageant 2021**
**28.5** TVRs

3

**TVB 54th Anniversary Gala**
**27.6** TVRs

4


**Big Big Old World**
**22.8** TVRs

5


**Scoop**
**22.0** TVRs

Rating (TVR) performance is a consolidated rating which represents the average rating of a programme summing both the live viewing from the spectrum and on myTV SUPER streaming service, as well as VOD viewing of such programme 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 2021, the total TV population comprises 6,554,000 viewers and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.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# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the Group's results for the financial year ended 31 December 2021.

On the surface, there seems little to cheer about this past year.

For a second year running in Hong Kong, COVID-19 was with us. Our city was largely shut off from the outside world, and large parts of our economy continued to suffer as a result. So, for many of us in Hong Kong, 2021 was a year of struggle: to maintain livelihoods, to stay healthy, and to believe in a better future.

Similarly, TVB did not have it easy. Advertising, our main source of income, was not easy to sell as local businesses stayed cautious. This led our streaming business myTV SUPER, which partly relies on advertising, to disappoint. Meanwhile overseas, our license fees from traditional pay TV partners in Malaysia and Singapore declined further, weighing down our international income. And in Mainland China, drama co-production fell behind schedule, partly due to the pandemic. This reduced our co-production income last year.

As a result, last year we incurred a loss attributable to equity holders of HK$647 million, our fourth annual loss in a row. Struggle, it seems, was also the story of TVB in 2021.

But dig a little beneath the surface, you will find we also have another story to tell.

With 5.4 million Hong Kongers watching our TV channels each week, we were the most popular source of daily entertainment in this city by far. Our rich and diverse prime-time airings, which included long-running sitcom *Lo and Behold* (愛•回家之開心速遞), crime drama *Sinister Beings* (逆天奇案), new talent show *Stars Academy* (聲夢傳奇), eye-opening docuseries *Big Big Old World* (尋人記) and *No Poverty Land* (無窮之路) and current affairs spotlight *Scoop* (東張西望), enjoyed all-time high viewership. Amid the stop-start uncertainties of life in a pandemic, there was one thing certain for our mass viewers: great programmes from TVB.

Content is of course TVB's greatest strength, and the key to our recovery and growth. That is why, despite near-term pressures in 2021, we chose to keep investing in content — both to maintain the pace and quality of our output, and to boost and refresh our content teams, so we can create even better content in future. Our total operating cost rose 14% in 2021 as a result, but such investment will pay off by enhancing our earnings potential.

# THOMAS HUI

Already, in 2021, our advertising income from TV broadcasting grew 16% in a tough market, as advertisers saw the consistent pulling power of our programmes. And we know our content isn't only valuable on TV. That's why we continue to distribute more of it through non-traditional channels, including digital and social media. YouTube, for example, is now a key revenue source for us in overseas markets such as Southeast Asia and North America. Such income, which is also advertising in nature, helped cushion the fall in our traditional pay TV license income last year. We will keep growing these revenue streams by investing in non-traditional distribution, including in our home market of Hong Kong.

Another big win for us in 2021 was our acquisition of Ztore Group. For some years, e-commerce has been part of our strategy through Big Big Shop. Now, we have dramatically scaled up this business by bringing Ztore Group's Ztore and Neigbuy platforms into the fold. Together, both platforms brought us 1 million new registered users in August 2021, and we have been busy growing this number ever since. To do so, we combine TVB's audience reach with Ztore Group's operational capabilities to reach and serve ever more consumers. Indeed, early results have shown the power of this combination, with Ztore Group's GMV in the second half of 2021 growing 46% compared to the first half before becoming part of TVB. Going forward, as we embed ever more e-commerce opportunities into our programme content, we will reap more strategic benefits from this timely acquisition.

Our China direct-to-audience business was another bright spot last year. Our Mai Dui Dui (埋堆堆) app, now available on mobile and smart TV, had 5.6 million monthly active users in December 2021. By bringing TVB's content to Cantonese-language audiences in China (mainly Guangdong, Guangxi and the Yangtze delta region), Mai Dui Dui is our direct touch point into this vast market. In addition, through our innovative use of content in different formats, we have built up a large following on the major Chinese social media platforms. The registered follower base of our TVB official accounts, along with those of our managed artistes on Douyin, Kuaishou, Weibo and Xiaohongshu, have passed 76 million. This gives us the critical mass to pursue monetization strategies, such as advertising, endorsements and e-commerce.

Of course, the best laid plans are nothing without talented teams to execute them. This is where, I'm happy to note, 2021 also brought new energy and renewal to TVB. In this regard, we welcomed many new heavy-weight members to our team last year, such as Mr. Eric Tsang (General Manager, Content Operations), Mr. Siu Sai Wo (General Manager, Business Operations) and others who bring rich experience, and fresh ideas. As another example, our e-commerce business is now led by Danny Shum and Jack Leung, co-founders of Ztore Group who bring to TVB their startup DNA. We welcome all our new joiners at every level, and wish them success.

Looking ahead to 2022, we find the outlook clouded once more by a fifth wave of the pandemic. But our mission at TVB is clear as day: to bring the best Chinese-language entertainment to our audiences in Hong Kong and around the world. In that regard, TVB is already hard at work. With Hong Kong celebrating the 25th anniversary of our handover this year, we are busy producing a rich slate of programmes to mark this historic milestone. Meanwhile, our myTV SUPER and e-commerce businesses have started the year strongly, as audiences turn to us for entertainment and shopping while they tough out yet another COVID-19 wave. And in Mainland China, we continue to grow subscribers and users at Mai Dui Dui and our other social media touch points, as we enrich our content offerings. Uncertainty may still be with us, but one thing is for sure: TVB can, and will, make the best of whatever comes this year.

In closing, I thank all of you, our stakeholders. Thank you to our shareholders who have supported us patiently through the challenges of the past few years. And thank you to our directors, management and staff, who have worked so hard to keep our organization proud and moving forward. Also, thank you to our customers and partners, we are glad to have you alongside. And finally, thank you to our audience, you give our work meaning. It is thanks to all of you that amid tough times, TVB has a brighter story to tell.

Let's all write the next chapter together, and bring about a better future!

**Thomas Hui To**
*Chairman*

23 March 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## HONG KONG TV BROADCASTING

| For the year ended 31 December | 2021 HK$ million | 2020 HK$ million | Year-on-year change |
|---|---|---|---|
| Segment revenue | 1,225 | 1,082 | 13% |
| Segment EBITDA | (570) | (548) | -4% |

Hong Kong TV Broadcasting mainly comprises production and broadcasting of programmes on terrestrial TV channels, distribution of video content and music entertainment to streaming platforms and social media in Hong Kong. In this segment, TV and other digital media advertising is our main source of revenue.

Segment revenue improved 13% from HK$1,082 million to HK$1,225 million, mainly driven by a 16% year-on-year increase in advertising income from HK$881 million to HK$1,024 million in 2021. In this regard, we benefited from a gradual recovery in the local economy, while our new programme initiatives during the year also helped drive advertiser interest.

Artiste management, music entertainment and other activities in this segment generated income of HK$201 million in 2021, largely similar to last year. These businesses play a big role in enriching our content and enhancing viewer engagement.

## TV ADVERTISING

In 2021, with Covid-19 largely under control, Hong Kong's economy recorded a growth of 6.4%. A recovery in local consumption led retail sales to grow 8.1% compared to 2020; however, the recovery was patchy as with travel restrictions still in place, many industries still underperformed.

The TV advertising market improved as the local economy picked up. Our terrestrial channels have a unique ability to reach mass audiences in Hong Kong, and deliver a high return on advertising investment. Hence, they are an important part of any marketing campaign.

Our advertising income stood at HK$1,024 million in 2021, an increase of 16% from a year ago. New advertisers contributed 25% of our advertising income.

Among advertisers, pharmaceuticals and healthcare companies constitute the largest share, and revenue from this segment grew about 10% in 2021 from an already sizable base. Another high-performing sector was real estate agency. Both traditional and online agencies actively used our terrestrial platform as a promotion channel in 2021, driving a 56% jump in advertising income from this sector.

Furthermore, thanks to our large audience share and strong reputation, TVB is an important promotion channel for the Hong Kong government and quasi-governmental organizations. With the pandemic driving the need for strong and positive public messaging by various government departments and agencies, our advertising income from this category of advertisers grew 41% in 2021.

While we were gratified to welcome new advertising customers, we saw that advertising activity in several key sectors such as fast food, infant food products and luxury goods continued to underperform. We continue to reach out actively to advertisers in these sectors, to position for any recovery in their advertising activity.

Going into 2022, the arrival of the pandemic "fifth wave" in Hong Kong has once more clouded the near-term outlook. However, we see longer term opportunities to substantially grow our advertising income. As such, we have reorganized and streamlined our advertising sales teams, in order to forge closer content partnerships with our advertisers, and also to capitalize on opportunities outside of traditional TV advertising, such as digital and social media.

Also, in 2022 we will launch a number of key shows, such as *Stars Academy (Sr. 2)* and the 50th Anniversary of *Miss Hong Kong Pageant*. In 2021, these shows proved very successful in drawing interest from advertisers and sponsors, and we look to build on this momentum further. In addition, Hong Kong celebrates the 25th anniversary of our handover this year, hence we have a rich lineup of TV programmes and activities around this theme, that we expect will attract significant advertiser interest.

## TERRESTRIAL TV CHANNELS

TVB, the leading free-to-air broadcaster in Hong Kong, is a key source of everyday entertainment and information for the territory's population. In this regard, the Covid-19 pandemic has amplified the importance of our role to millions of Hong Kong viewers, for whom we air programmes to inform, entertain, touch and cheer every day.

In 2021, our digital channels, on average, reached[1] 5.4 million in-home-viewers in Hong Kong every week and in aggregate generated an average prime time rating of 24.0 TVRs[2]. This rating of 24.0 TVRs represented a 77% audience share[3] of all channels in Hong Kong, making us the largest domestic free TV operator by far. In this regard, we also have a substantial lead in the market with 83% audience share[4] in young audience group (below age of 35) and 85% share[4] among high income group viewership.

Every one of our channels TVB has a target demographic audience in mind. Jade, our flagship channel, is Hong Kong's most popular channel, and carries a broad and rich slate of programmes for the entire household. J2, our channel for young audiences, offers vibrant and creative alternative genres. Our TVB News channel, which broadcasts live coverage 24 hours, is the leading source in Hong Kong for reliable and informative news on events in Hong Kong and around the world. Pearl, our non-Cantonese channel, carries entertainment in English as well as financial market programmes in Putonghua. Lastly, our TVB Finance & Information Channel provides news and insights on Hong Kong's financial and property markets, and other topics of general interest. Uniquely, our Jade and Pearl channels have landing rights in Guangdong, enabling us to broadcast these two channels to 126 million viewers there.

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

| | 2021 TVRs |
|---|---|
| **Jade** | 18.0 |
| **J2** | 2.0 |
| **TVB News** | 2.1 |
| **Pearl** | 0.8 |
| **TVB Finance & Information** | 1.1 |

1 Average reach is the average number of unique 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.

2 Rating represents the size of the audience expressed as a percentage of the total TV population in consideration of viewing intensity. For 2021, total TV population comprises 6,554,000 viewers, and, 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.

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

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

## CONTENT CREATION

Content creation is traditionally TVB's core strength, and the key driver for viewership and monetization across our platforms. Our capacity to provide compelling Chinese language content, consistently and on a large scale, is what keeps millions of viewers deeply engaged with TVB. Going forward, as we move beyond traditional broadcast TV to distribute content across more digital media platforms and formats, we will translate this creation capacity into additional revenue streams, i.e.: advertising, subscription, licensing or e-commerce.

In 2021, we produced 22,958 hours (2020: 21,712 hours) of programme content, covering dramas, variety and infotainment programmes, news and finance information, sports and music shows. Reflecting this increase in creative output, our programming costs increased 9% from HK$1,371 million to HK$1,498 million.

In 2021, we also strengthened our creative and managerial talent pool with new appointments, most notably Mr. Eric Tsang whom we appointed General Manager, Content Operations. Mr. Tsang is not only a successful actor and entertainer, but also brings to TVB his rich perspectives and broad network within the entertainment industry. Through investment in people and talent, we aim to bring more compelling Chinese-language content to our audiences in Hong Kong and around the world.

### Drama

Original drama is our signature genre and occupies prime time slots on our Jade channel. In 2021 we continued to produce appealing drama series with rich plots and casts, eliciting strong ratings and audience reactions.

Our crime dramas are perennial favorites among viewers. In 2021, blockbusters include *Sinister Beings* (逆天奇案) which depicts a police investigation using psychological analysis to deconstruct a criminal's motives and ultimately send the mastermind to jail. This series achieved a rating of 27.0 TVRs[5] on average, with the gripping final episode scoring a phenomenal 30.2 TVRs. This drama was broadcast concurrently in Mainland China on Youku's streaming platform, and created substantial buzz on social media.

[5] Rating (TVR) performance quoted is a consolidated rating which represents the average rating of a programme summing both the live viewing from the spectrum and on myTV SUPER streaming service as well as VOD viewing of that programme within seven days after being aired on terrestrial TV. For 2021, total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research, Adobe Analytics, YOUBORA & Nielsen OOH Study.

1

1. Sinister Beings (逆天奇案)


2. Kid's Lives Matter (星空下的仁醫)

# MANAGEMENT DISCUSSION AND ANALYSIS

Our highly anticipated medical drama *Kids' Lives Matter* (星空下的仁醫) was praised for its realistic surgery scenes, star-studded cast and heart-warming storyline based on a children hospital. The series was so successful that its fame also spread to the Mainland, where it scored an impressive 8.8/10 on the influential media review forum, Douban. Certain scenes played by child actors were so moving they became trending topics on Weibo.

*Armed Reaction 2021* (陀槍師姐2021) a popular police drama we co-produced with Tencent Video, was into its fifth season. The story is centered on a woman inspector who overcame gun phobia to become an iconic "armed female cop". Another co-produced series *Murder Diary* (刑偵日記), which we made with Youku, attracted a large viewership with its intriguing plot centered on strange incidents experienced by a police officer who suffers from dissociative identity disorder.

Our long-running popular sitcom *Lo and Behold* (愛．回家之開心速遞) is presently one of Hong Kong's most successful TV series, bringing large audience to their TV screens for daily half-hour episodes of short fun-filled stories. With its light-hearted tone, relatable stories and funny plots, this sitcom brings humor and cheer to our audiences as we come through this pandemic together.

*Forever Young At Heart* (青春本我) is a high school musical drama featuring young and gifted idols from our hit talent quest *Stars Academy* (聲夢傳奇) and passionate dancers from *Dance For Life* (盛．舞者). Written and produced with young audience in mind, hence, this series is packed with joy and positivity.

1. Lo and Behold (愛．回家之開心速遞)

2

3

2. Murder Diary（刑偵日記） | 3. Forever Young At Heart（青春本我）

## Variety, Music and Infotainment Programmes

In 2021, we launched our talent series *Stars Academy* to discover and groom young singers and artistes in Hong Kong. Contestants, mostly in their teens, trained and performed in this televised contest under the mentorship of veteran artistes. The first season was a big success, with the top contestants becoming recognized stars by the final episode. Not only did the programme episodes generate robust viewership, but its success has also created a large social media following for many contestants, and spawned *Stars Academy* YouTube channels, public concerts, and even a drama featuring some of the young idols. Preparation of *Stars Academy (Sr. 2 )* is already underway, with broadcast scheduled for the second quarter of 2022. This series shows our ability to create programmes and stars that are marketable in multiple ways, and across multiple media.

Music is in fact an integral part of our content. Through our numerous iconic shows such as the *Anniversary Gala*, and *Miss Hong Kong Pageant 2021*, we provide a platform for Hong Kong's artistes to showcase their rich music and talent. For example, in the *Miss Hong Kong Pageant 2021*, which attracted a rating of 28.5 TVRs (equivalent to nearly 1.9 million viewers), we had Jacky Cheung, the Hong Kong pop star, perform his classic hits in a duet with Malaysian singer Gin Lee.

In 2021, we also experimented with new format shows, such as *Dub-of-War* (好聲好戲), *Have A Big Laugh!* (開心大綜藝), *Mama's Day* (日日媽媽聲). *Dub-of-War,* a new reality show series, generated high ratings and buzz on social media. To prepare for the show, selected TVB artistes received intensive training from dubbing coaches. Audiences were impressed by their talent and diligence.

Our documentaries such as *No Poverty Land* (無窮之路) and *Big Big Old World* (尋人記) also received high praise and acclaim in the local and Mainland China

1. Dub-of-War（好聲好戲） | 2. Have A Big Laugh!（開心大綜藝） | 3. Dance For Life（盛・舞者） | 4. First Live on Stage（聲・夢飛行）

markets. These documentaries scored 9.5 and 9.3 points on Douban, respectively. *No Poverty Land* which showcases China's poverty alleviation efforts in the country's less-developed regions, named one of the Top 20 Outstanding Overseas Broadcasting Programme in 2021 (2021年度優秀海外傳播作品) by the National Radio and Television Administration. Recently, the host of *No Poverty Land*, Janis Chan won 2021 "Touching China" Award (感動中國2021年度人物) organized by China Central Television.

5

6

5. No Poverty Land (無窮之路) | 6. Miss Hong Kong Pageant 2021 (2021 香港小姐競選決賽)

## News, Finance and Information, Sports and Greater Bay Area Programmes

Our TVB News Channel is Hong Kong's most watched news channel. It is also the only news channel that provides 24-hour live news coverage and commentary on major events in Hong Kong, Mainland China and the rest of the world. Within TVB, our news department operates autonomously in order to preserve editorial integrity and reporting independence. We believe this autonomy is key to the high quality, objective reporting that viewers have come to expect from us each day.

Since our Pearl Channel is broadcast daily into Guangdong province, we have increased our Putonghua content on this channel in 2021, specifically providing coverage and commentary on the Hong Kong stock market during trading hours. The Hong Kong stock market is where a large number of China's biggest and most important companies have their shares listed and traded. And Guangdong province, specifically the Greater Bay Area, is home to a large and vibrant financial and investment community. Anticipating ever greater financial market integration between Hong Kong and the Greater Bay Area in the years to come, we are positioning ourselves to be the financial news and information provider of choice between Hong Kong and Mainland China.

In 2021, we launched two new Putonghua financial programmes: *Fintalk* (財經演義), which presents interviews of successful CEOs and entrepreneurs; and *HK Real Estate Guides* (樓市指南), which offers up-to-date information on the Hong Kong property market. Besides these Putonghua programmes, we also have finance programmes in English such as *Money Matters, Pearl Magazine and Straight Talk* that cater to an international audience.

Meanwhile, for our TVB Finance & Information Channel, our production pipeline includes new programmes on wealth management, health, education, and the Greater Bay Area, namely *Goldrush* (有錢淘), *Health Regimen* (養生有道), *Academia Without Borders II* (升學無疆界II) and *Decoding the GBA* (大灣區解碼), respectively.

In terms of sports coverage, our viewers had plenty to enjoy from our extensive coverage of the *Olympic Games Tokyo 2020*, *Paralympic Games Tokyo 2020*, *The 14th China National Games*, *Olympic Winter Games Beijing 2022* in Hong Kong which generated much buzz in the city, and drew massive viewership on both our terrestrial channels and streaming service.



1. Pearl Magazine（明珠雜誌） | 2. Fintalk（財經演義）






3. Straight Talk（清心直説） | 4. Academia Without Borders II（升學無疆界II）
5. Health Regimen（養生有道） | 6. Decoding the GBA（大灣區解碼） | 7. Goldrush（有錢淘）

## OTT STREAMING

| For the year ended 31 December | 2021 HK$ million | 2020 HK$ million | Year-on-year change |
|---|---|---|---|
| Segment revenue | 367 | 412 | -11% |
| Segment EBITDA | 37 | 108 | -66% |

Our myTV SUPER streaming service is our key touch point with Hong Kong audiences who want to watch our TVB content when, where and how they choose. The service is available via set-top box (STB), mobile app or web portal. We have a free-tier service that gives viewers access to our free-TV channels and limited content; and Basic and myTV Gold subscription tiers that provides a richer choice of programmes (including those we produce exclusively for streaming only) and back-catalog. myTV SUPER operates on a combination of subscription and advertising revenue, and in 2021 segment revenue declined 11% from HK$412 million to HK$367 million due to a fall in the advertising revenue portion.

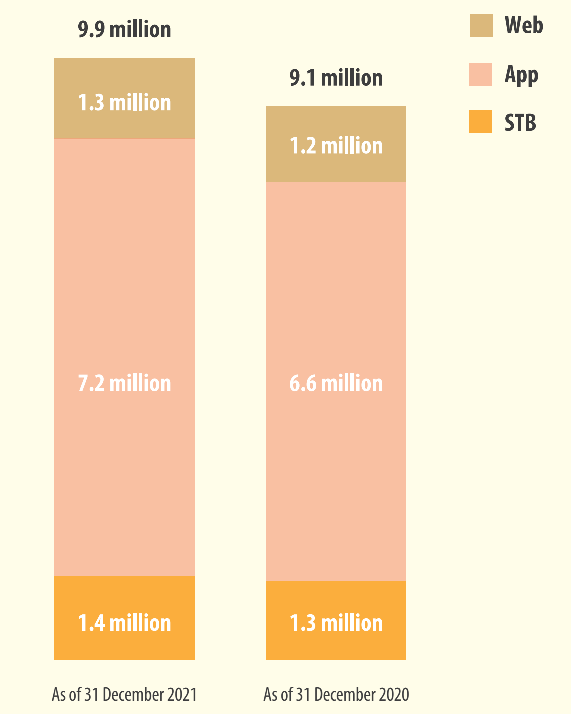
### Subscription

myTV SUPER is a leading streaming platform in Hong Kong. According to Nielsen Streaming Platform Insights (February 2022) myTV SUPER was ranked number 2 by consumption in Hong Kong behind YouTube, who is No. 1.

In December 2021, myTV SUPER had 1.9 million monthly active users (MAU). Of these, over 1 million are paying subscribers.

myTV Gold tier plan, which carries over 50 channels and 100,000 VOD hours, has a subscriber base of approximately 123,500 as of 31 December 2021 (2020: approximately 91,000), representing an increase of 36% year-on-year, with a monthly average revenue per user (ARPU) of HK$74 in 2021. We continue to promote our myTV Gold plan aggressively through a number of channels, including working with major broadband network providers in Hong Kong to bundle our service with their broadband packages. Subscription revenue recorded in 2021 stood at a similar level as last year of approximately HK$300 million. Growth in subscribers of myTV Gold service helped offset a decline in subscription revenue due to expiry of certain bundled sports packages.

Registered users of myTV SUPER



### Registered Users
**December 2021**


**9.9** Million

### MAU
**December 2021**

**1.9** Million

### Paying Subscribers (Basic and myTV Gold)
**December 2021**

Over **1** Million

### myTV Gold Subscribers
**December 2021**

**123,500**

### myTV Gold monthly ARPU
**2021**

HK$ **74**

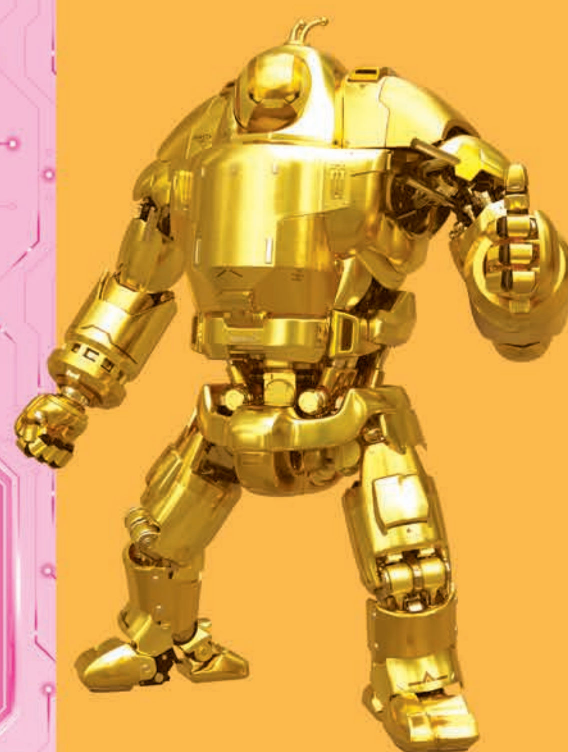
In 2021 we continued to enrich the original programme offerings under our myTV Gold tier service as part of our strategy to attract new subscribers, and to upsell existing Basic subscribers into this top tier. The new programmes in myTV Gold plan spanned multiple genres, including horror drama *Ghost Cleansing Ltd* (凶宅清潔師), robot-themed drama *AI Romantic* (智能愛人), original lifestyle talk shows like *Doggie Training Camp* (狗狗診療所), *Coffee, You and Me Season 2* (緣來自咖啡2). We also acquired high quality content from countries around the globe, including Japan, Korea, mainland China and US. These include popular Japanese animation, multiple series of *Demon Slayer* (鬼滅之刃), and the hit US drama series *Why Women Kill (Season 2)* and *Dan Brown's The Lost Symbol*. In 2022, myTV Gold will launch a new lineup of innovative and niche programmes, to distinguish its unique offering from TVB's terrestrial channels.

### Advertising

During the year, advertising performance from myTV SUPER was affected by some reallocation of ad spend by our advertisers from streaming to traditional broadcast. This led to a 39% decline in advertising revenue from HK$105 million to HK$64 million.

In 2021, to enhance our value proposition for advertisers on myTV SUPER, we have developed a new Media Advertising Intelligence (MAI) platform to improve ad distribution. This platform also supports integration of analytics data collected from other TVB units such as e-commerce, to generate more precise targeting and delivery of advertisers. We believe this will boost returns on advertising investment for our advertising customers.






1. AI Romantic（智能愛人） | 2. Ghost Cleansing Ltd（凶宅清潔師） | 3. Coffee, You and Me Season 2（緣來自咖啡2）

## E-COMMERCE BUSINESS

| For the year ended 31 December | 2021 HK$ million | 2020 HK$ million | Year-on-year change |
|---|---|---|---|
| Segment revenue | 238 | 29 | 721% |
| Segment EBITDA | (93) | (4) | N/A |

To TVB, e-commerce is not only a source of incremental revenue, but also a critical channel through which we engage and form direct touch points with our audience in Hong Kong. In this regard, e-commerce allows us to integrate our content creation and audience reach into a powerful distribution chain connecting brands and products with buyers and consumers. This is why we first created our Big Big Shop platform in 2018, and followed up with our acquisition of Ztore Group in August 2021.

With our acquisition of Ztore Group, our e-commerce business now comprises three distinct platforms: Ztore, Neigbuy and Big Big Shop. Each one has a distinctive model. Ztore focuses on supplying daily household needs, and its sales consist nearly 100% of self-owned inventory, whereas Neigbuy sells a range of consumer products using a flash-sales model, offering attractive deals on a time-limited basis. As for our original Big Big Shop platform, it is a platform for third party sellers, and increasingly focuses on food products. With the Covid-19 pandemic accelerating a shift towards online shopping, we are seeing promising growth in our e-commerce sales.

1


1. Oppa's Cuisine（男神廚房）

Ztore Group also comes with a seasoned e-commerce team of 250 talents, overseeing a fully-fledged operation that includes IT, merchandising, warehousing, staffing, logistics and delivery. These resources are now well integrated into the TVB organization, giving us the added benefit of 100,000 square feet of warehouse space and over 1,500 self-pickup points throughout the city. As such, we can now source desirable products from around the world, market them effectively through our various TV and media channels, and deliver them conveniently into customers' hands. This capability has proved valuable in the recent fifth wave of the pandemic in Hong Kong, with customers turning to us in large numbers to secure all manner

| Proforma GMV on yearly basis | For the year ended 31 December 2021 | For the year ended 31 December 2020 | Year-on-year change |
|---|---|---|---|
| Gross Merchandise Value (GMV) on order intake (HK$ million) | HK$593 million (Ztore, Neigbuy, Big Big Shop) | HK$142 million (Big Big Shop only) | Over 4 times 318% |

| Monthly data | December 2021 Ztore, Neigbuy, Big Big Shop | December 2020 Big Big Shop only | Year-on-year change |
|---|---|---|---|
| Monthly GMV on order intake | HK$57 million | HK$8 million | Over 7 times 613% |
| Average daily orders | 5,539 | 449 | Over 12 times 1,134% |
| Average order value | Home delivery HK$800 Self pick-up HK$160 | HK$575 | N/A |
| Monthly active customers (rounded to nearest thousand) | 80,000 | 11,000 | 627% |

2


3


4


2. Long Time No See, Japan（#好掛住日本）
3. Better Be Healthy（醫醫，我不想再病了） | 4. Cook War（煮戰）

of household essentials, ranging from hygiene and cleaning products to food, beverages and personal care items.

With our acquisition of Ztore Group, the pro-forma GMV of our e-commerce business soared by four times from HK$142 million to HK$593 million. The number of monthly active customers on our platforms also increased over 7 times to nearly 80,000 in December 2021 from 11,000 a year ago.

Our TV-based advertising and promotion has proved highly effective for Ztore: its GMV in the second half of 2021 jumped 46% compared to the first half before its acquisition by TVB. Going into 2022, growth momentum continues to be strong.

Our advertising and promotion of e-commerce on television takes different forms. Other than simple slot-based advertising, there are also programmes we create, that weave products and sponsored items into the content. For example, in our popular *Scoop* (東張西望) infotainment programme we feature products such as our proprietary Korean-made KF94 masks. In celebrity-hosted shows such as *Cook War* (煮戰), *Long Time No See, Japan* (#好掛住日本) and *Better Be Healthy* (醫醫，我不想再病了) we promote products such as cooking ware, premium foods, health supplements and beauty products. And on certain weekday late-night TV slots, we now conduct live-streamed e-commerce to our Hong Kong viewers, who can easily purchase what they see on screen by scanning a QR code. Our ability to use our TV and other platforms to promote and sell products to our audience is an advantage we will further leverage in 2022.


1. Top Sales (Sr. 2) (識貨2)

In 2022, we are preparing to expand our e-commerce services into Mainland China using cross-border live streaming and other strategies, we will partner with Hong Kong brands and advertisers to sell their products to our social media audiences in Mainland China (see next section "Mainland China operations").


2. Top Sales (Sr. 2) (識貨2)

## MAINLAND CHINA OPERATIONS

| For the year ended 31 December | 2021 HK$ million | 2020 HK$ million | Year-on-year change |
|---|---|---|---|
| Segment revenue | 666 | 742 | -10% |
| Segment EBITDA | 189 | 263 | -28% |

Our Mainland China business mainly comprises co-production of TV content with Mainland Chinese partners, and distribution of content through various third-party video platforms. In addition, we have been developing our own digital media business with direct reach into Mainland viewers and consumers. Our own Mai Dui Dui (埋堆堆) mobile and smart TV app serves TVB Cantonese-language content directly to our subscribers mainly in the southern China. Meanwhile, we have also built up a large social media following through different Chinese platforms, enabling us to pursue a multi-channel network strategy to monetize our content and artistes. In 2021, our revenue from digital platforms and content distribution increased from HK$403 million to HK$450 million in 2021. However, overall China segment revenue was lower than 2020 due to decline in co-production income from HK$321 million to HK$195 million, as Covid-19 related disruptions to our deal signings in 2020 fed through to a slower production pipeline in 2021.

### Programme Co-production

Since 2017, we have partnered with different leading Chinese video platforms, such as Tencent Video, Youku and iQiyi to co-produce drama series and other content for exclusive broadcast on their respective platforms. Under this arrangement, we script and produce programmes together with our partners, who participate in the storyline creation and casting decisions. Typically, such partners will own the IP rights to the programmes within Mainland China, while we receive a production fee and also the programme rights for territories outside Mainland China. We also often secure roles for our Hong Kong artistes in these programmes, which brings additional opportunity for revenue and exposure.


1. Murder Diary（刑偵日記）

During the year, *Armed Reaction 2021* (陀槍師姐 2021) (co-produced with Tencent Video) and *Murder Diary* (刑偵日記) (co-produced with Youku) were completed and released concurrently in the Mainland China and other markets. Both titles had earned impressive scores in the Chinese media review platform, Douban. Two other co-production titles with Youku, namely *Big White Duel 2* (白色強人II) and *Forensic Heroes V* (法證先鋒V) were in various stages of production and we anticipate these new titles, subject to vetting by the local broadcasting authority, can be released in 2022.

In conjunction with the 25th anniversary of Hong Kong's handover this year, we are also planning co-produce and broadcast dramas, variety shows and other programmes in China based on the handover theme.



2. The Runner（大步走） | 3. Used Good（異搜店） | 4. The Ringmaster（拳王）

## Third Party Content Distribution

In 2021, we continued to supply a selection of our first-run and back-catalog original programmes into the Mainland China market, working with platforms such as Youku, Tencent Video, BesTV, Migu and Bilibili. With Bilibili, for example, we released a collection of documentaries such as *No Poverty Land* (無窮之路) and *Big Big Old World* (尋人記). *No Poverty Land*, which showcases China's poverty alleviation efforts in the country's less developed regions, was very received by Chinese audiences, scoring an impressive 9.5/10 on Douban.

## TVB Own Digital Media Business

While we work through various local partners to produce and distribute our content in China, we are also committed to building up our own digital presence in this immense market, leveraging our strong brand and rich content to build direct relationships with viewers and consumers. In this regard, we recognize China is a diverse market, with different people using different social media based on their preferences and habits. So, we take a multi-prong approach, using both proprietary and third-party platforms, to reach and touch viewers where they are.

Mai Dui Dui (埋堆堆) is TVB's self-developed video platform in the Mainland China. It carries a rich collection of TVB content including dramas, documentaries, variety shows, live events and artiste chats. Targeting a Cantonese-language audience in southern China (mainly Guangdong, Guangxi and the Yangtze Delta), Mai Dui Dui had 5.6 million monthly active users (MAU) in December 2021. Its mobile and smart TV apps have been downloaded 34 million times. In 2021, we have also begun to work with smart TV manufacturers in China such as Huawei and TCL to pre-load our Mai Dui Dui app into their devices.

After patient seeding work in the past few years, we have also built up a substantial social media following on China's major social media platforms, also using TVB's content and artistes as a key draw. As of 31

**5.6** million
Mai Dui Dui MAU


1. Interactive CNY Online Concert (香港群星新春互動直播演唱會) | 2. Big Big Old World (尋人記)




**76 million**

Followers of TVB-related accounts on Chinese social media platforms

December 2021, the official social media accounts of TVB and those of artistes and KOLs we manage on Sina Weibo, Douyin, Kuaishou and Xiaohongshu have a total follower base of over 76 million. Having attained this critical mass of followers, we have begun in 2022 to execute on our multi-channel network (MCN) strategy, which is to monetize our follower base through celebrity endorsements, content marketing and live-streaming commerce.

In January 2022, we also created a TVB official video account (視頻號) on WeChat, China's largest social media platform. As an inaugural event, we co-produced a lunar new year interactive concert which was broadcast live on WeChat on 30 January 2022. Featuring over 25 Hong Kong artistes singing and performing classic songs from the past decades, this 4-hour programme provided a rich showcase of Hong Kong musical culture to Mainland Chinese audiences. In this regard, we received tremendous support and marketing resources from WeChat to produce and publicize the event, which attracted 36 million viewers. We will collaborate further in 2022 with WeChat to bring more music and culture content to WeChat's vast user base. In the process, we will also look to build a large and valuable following on WeChat as part of our overall MCN strategy.

3. No Poverty Land (無窮之路)


## INTERNATIONAL OPERATIONS

| For the year ended 31 December | 2021 HK$ million | 2020 HK$ million | Year-on-year change |
|---|---|---|---|
| Segment revenue | 403 | 459 | -12% |
| Segment EBITDA | 123 | 255 | -52% |

Our international business mainly comprises programme licensing, TVB Anywhere streaming service and dissemination of content in digital platforms. We continue to diversify from traditional programme licensing business to digital business for a wider global coverage. Digital income contributed by TVB Anywhere and YouTube increased but the total revenue was lower than 2020 owing to lower licensing fees from traditional markets like Malaysia and Singapore.

ANYWHERE


## Programme Licensing

The traditional programme licensing business was affected by the prolonged pandemic. Many cities in Malaysia, Singapore and Vietnam announced extended periods of lockdown. The abrupt and widespread stoppages caused disruption to many of our planned projects with our platform partners in these markets.

In Malaysia, our programme supply agreement with MEASAT Broadcast Network Systems ("MEASAT") enables us to exercise greater flexibility in advertising sales and channel operation in this market. But the extended restrictions on inbound travel and economic activities had limited our opportunity to hold onsite promotions for programmes and advertisers' products.

To respond to young audiences' preference in digital content consumption, we engage more resources to develop our digital business on a global scale. Our priority is to create differentiation such that our programme offerings is distinctively different from other key players. Because of this, we intend to devote more investment on the onsite promotions and programming of local content that appeal to our target audience in Malaysia. Local variety programmes will remain as our strategy to grow advertising and sponsorship revenues. The new season of travelogue *Walking With You 2* (仨心友行2) and Maria Cordero's signature cooking show *Maria's Auspicious Menu 5* (肥媽新年新煮意5) received good feedbacks. These business ventures certainly boosted exposure and awareness of TVB's brand, which is considered crucial, especially when new media consumption patterns have posed us challenges. The new weekly infotainment programme, *What's On City* (都市特搜) premiered in December 2021, covers hot topics and current affairs of the Malaysian community. Preparation of a brand-new Malaysian version of singing reality show *Stars Academy* (聲夢傳奇) and a local sitcom are already underway.

In Singapore, a programme supply agreement with Singtel Global Private Limited was renewed. Alongside the programme supply agreement with pay TV operator StarHub Cable Vision and the national public broadcaster Mediacorp, we are maintaining a high penetration of Chinese viewership in the pay and free-to-air TV markets in Singapore. Drawing from our experience in Malaysia market, we are considering investments in local productions with our business partners in Singapore.

In Vietnam, a programme supply agreement with Saigontourist Cable Television was renewed. The extended nationwide lockdown has put our planned local productions on hold. To protect some of our revenue in Vietnam, we released more contents on new media platforms and free TV channels. In 2022, leveraging the popularity of TVB original sitcoms, we continue to explore co-production opportunities, joining with our local partners.

In the US, we continued partnering with local cable carriers to expand coverage of our basic tier service. The markets we cover include the two most Chinese populated designated market areas namely the whole Greater NYC and Greater LA. We have also achieved encouraging results in our TVB Anywhere video streaming service by offering both free and pay schemes.

In Canada, the programme supply agreement for the subscription TV business with Fairchild Television has been successfully renewed. TVB Anywhere service will strive to increase market share.

## Digital Business

TVB Anywhere video streaming services are available through set-top-boxes (STB) and mobile app (TVB




1-2. Walking With You 2（仨心友行2） | 3. Roar of Prosperity 2022（虎年開運秘笈）

**9.0** million

TVB Anywhere aggregated users

**7.5** million

TVB YouTube channels subscribers

**20.5** million

TVB YouTube channels MAU

Anywhere+). TVB Anywhere, together with subscribers/users from YouTube TVB designated channels and other third-party online platforms (excluding China), currently has an aggregated user base of approximately 9.0 million, a 39% growth from 6.5 million in 2020.

Leveraging on the significant audience base of YouTube around the world, TVB contents are promoted effectively to global TVB fans. In 2021, we recorded a year-on-year growth of 45% and 41% in YouTube subscriber base and revenue, respectively. We are now operating 22 YouTube channels with a total of more than 7.5 million subscribers (2020: 5.2 million). MAU increased 65% from 12.4 million in 2020 to 20.5 million in 2021.

To further expand business on video streaming platforms, we are utilizing search engine optimization services to further penetrate the Mandarin-speaking markets. We will increase the volume of our digital-first content productions and third-party content acquisition to enrich our content offerings.

## TVB Anywhere Streaming Services

During 2021, an updated version of TVB Anywhere STB for Android TV operating system was launched in major markets including Macau, Australia, United Kingdom, Europe and New Zealand. The new STB, which offers a customized TVB Anywhere launcher and new user interface, has received positive responses from the markets.

Resources were shifted to online platform to drive subscription-based sales amid long period of pandemic lockdown in some markets. During 2021, we expanded into new distribution channels by launching TVB Anywhere STB and TVB Anywhere+ subscription plans on various e-commerce platforms such as Shopee Malaysia and Qoo10 Global. By executing multiple online promotion campaigns with these well-known e-commerce sites, our footprints of distribution network were extended, providing more payment options and convenience to our subscribers.

4. Maria's Auspicious Menu 5 (肥媽新年新煮意5)

In Malaysia, complementary access to TVB Anywhere+ service was offered to all MEASAT's customers who have subscribed to the highest tier of TVB service, enabling them to enjoy the comprehensive and premium features of TVB Anywhere+. Feedback from customers activating the new service was positive. During the year, we also commenced partnership with Telekom Malaysia (TM), which allowed TVB Anywhere service to be extended to all TM's customers via their mobile, broadband, and IPTV plans. In Singapore, TVB Anywhere+ is distributed by all the major telcos, namely StarHub, SingTel, M1and MyRepublic.

Besides growing our users on TVB Anywhere and third-party streaming platforms, we are also collaborating with global mobile device manufacturers on a bundled subscription video on demand (SVOD) service. The geographical accessibility of our branded SVOD on the Huawei Video App, a preloaded application on all Huawei mobile devices, are now available in 29 markets.

### Combating Piracy

Piracy is the biggest challenge in digital streaming, with infringing websites and illicit streaming devices (ISDs) continue to hurt revenue. We tackle piracy in a proactive manner by enlisting a special task force comprising of in-house digital forensic specialists, engineers, and lawyers to conduct anti-piracy actions, including site blocking, delisting piracy links, etc.

In 2021, we successfully blocked 195 piracy websites and domain names of piracy set-top boxes. These blockings have resulted in a significant reduction of traffic to the piracy websites and set-top boxes by 84%. We have also delisted 2.5 million piracy links from search engines and have taken down 970,000 video links from video/social networks. With our holistic approach in tackling online piracy, traffic to the authentic TVB website and online video platforms has increased by about 13%.

## STRATEGIC INVESTMENTS

### Imagine Tiger Television

Imagine Tiger Television (ITT) is a 50/50 joint venture entity we set up in Los Angeles, USA with Imagine Entertainment, US-based independent TV production house led by Ron Howard and Brian Grazer. The purpose of ITT is to finance the production of TV programmes, including drama series and documentaries, for the US and the international markets.

In 2021, The season 2 finale of ITT's dark comedy series *Why Women Kill*, starring Allison Tolman, Lana Parrilla, and Nick Frost, aired on Paramount+ in July. Created by Marc Cherry (of Desperate Housewives fame), the 10-episode series was set in 1949 and focused on themes of societal pressures to fit in and what one woman would do to belong. *Why Women Kill* has been renewed for a third season.

In addition, ITT aired its first project on NBC's streaming platform Peacock, with the 10-episode season of *Dan Brown's The Lost Symbol* debuting in September. Based on the Dan Brown novel by the same name, the series followed a young Robert Langdon played by Ashley Zukerman as he solved a number of puzzles to find his kidnapped mentor.

ITT, in conjunction with Imagine Documentaries, continues to explore opportunities to invest in documentaries projects, to add to the current feature documentary film based on the musician Santana.

### Shaw Brothers Holdings

Shaw Brothers Holdings (stock code: 953) is a production house engaging in film and drama investment, in which TVB owns an effective interest of 11.98%.

The season 3 of action crime series, *Flying Tiger 3 (飛虎3壯志英雄)*, starring Bosco Wong (黃宗澤), Michael Miu (苗僑偉), Ron Ng (吳卓羲), and Joe Ma (馬德鐘) was released on Youku platform in December 2021. The 30-episode series was about a terrorist organization set off chemical weapon attack in Hong Kong and the brilliant police force solve the crisis for the city.

The movie *All U Need Is Love* (總是有愛在隔離), which Shaw Brothers invested was released in Hong Kong and the Mainland in April 2021. This comedy featured ensemble casts of stars aimed to bring positivity to people fighting the pandemic.

A 30-episode anti-corruption drama series (廉政狙擊) focus on investigation stories backed by the Hong Kong's Independent Commission Against Corruption (ICAC) is now in post-production stage and is expected to release on Youku platform in the second half of 2022.

Shaw Brothers also created a number of talk shows for streaming platforms in Hong Kong and overseas. During the year, *Master's Talk* (師父有請), *Coffee, You and Me 2* (緣來自咖啡2) and series of *Drive U to the Hell* (鬼上你架車) were launched on myTV SUPER and TVB Anywhere.


1. Master's Talk (師父有請)
2. Drive U to the Hell (鬼上你架車)
3. Flying Tiger 3 (飛虎3壯志英雄)

# TVB ARTISTES

# TVB ARTISTES

## OPERATING RESULTS

Revenue of the Group increased from HK$2,724 million to HK$2,899 million, an increase of HK$175 million or 6%, which was driven by:

(a) improvement in advertising revenue from the Hong Kong TV Broadcasting segment from HK$881 million to HK$1,024 million (+HK$143 million or 16%);

(b) expansion of e-Commerce revenue from HK$29 million to HK$238 million with the consolidation of the post-acquisition results of Ztore (+HK$209 million or 721%); which was offset by

(c) decline in co-production revenue from Mainland China Operations from HK$321 million to HK$195 million (-HK$126 million or -39%); and

(d) reduction in overseas licensing income, leading to a fall in revenue from International Operations from HK$459 million to HK$403 million (-HK$56 million or -12%).

Cost of sales increased from HK$1,877 million to HK$2,177 million, an increase of 16%. Included in cost of sales were the cost of programmes and film rights (both self-produced and acquired) which amounted to HK$1,498 million (2020: HK$1,371 million). In addition to the aforementioned content costs, our cost of sales in 2021 also has a new cost of goods sold component of HK$143 million (2020: nil) arising from the consolidation of newly acquired Ztore Group, whose sales currently consists of 100% self-owned inventory.

Selling, distribution and transmission costs increased from HK$591 million to HK$640 million, an increase of 8%. This increase was mainly related to higher overheads for the growing e-Commerce business and higher sales commission on the back of increased advertising revenue.

General and administrative expenses increased from HK$785 million to HK$890 million, an increase of 13%. The increase was mainly driven by our continuing effort strengthen and refresh our creative talent pool and management resources, albeit in a disciplined manner, as we position ourselves for long-term growth.

Overall, total costs (comprising cost of sales, selling and distribution costs and general and administrative expenses) increased from HK$3,253 million to HK$3,707 million, an increase of 14%, after acquisition of Ztore Group and continuous investments in our content offerings and talent pool.

Other revenues dropped from HK$223 million to HK$14 million, mainly reflected the one-off Government's wage subsidies in 2020 of HK$202 million not being repeated in 2021.

Other net gains increased by HK$49 million from HK$24 million to HK$73 million, which was mainly due to a one-off refund of HK$70 million for capital gain tax from the disposal of prior years' Taiwan properties (2020: a one-off gain on disposal of Taiwan properties of HK$27 million not repeated in 2021).

Due to the above factors, adjusted EBITDA[1] for the year deteriorated to a loss of HK$314 million, down from a positive HK$74 million in 2020. This setback notwithstanding, we continue to transform our business in key aspects, as we position ourselves for long-term growth. Our investment in creative and management talents this past year, and our strategic bulking up of the e-Commerce business, creates new opportunities for us to leverage the TVB brand further in the years to come.

[1] Adjusted EBITDA means result for the year before interest income, financial costs, income tax, depreciation and amortisation, gain on disposal of properties, impairment loss on receivables from a joint venture, impairment loss net of gain/loss on disposal on other financial assets at amortised cost, share of profits/losses of joint ventures and associates. Adjusted EBITDA is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards. The computation of the Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

## SEGMENT RESULTS

| Segment | Hong Kong TV Broadcasting | OTT Streaming | e-Commerce business | Mainland China Operations | International Operations |
|---|---|---|---|---|---|
| **Nature of revenue** | Advertising revenue, hilltop income, talent management income, fees for events management; music royalties and licensing income for short-form videos | Subscription and advertising revenue | e-Commerce income | Production income from co-production drama serials; licensing income from telecast, video and new media distribution in Mainland China; subscription revenue from Mai Dui Dui | Overseas licensing income from telecast, video and new media distribution; subscription and advertising revenue from Overseas pay TV and TVB Anywhere |

Segment revenue from Hong Kong TV broadcasting increased from HK$1,082 million to HK$1,225 million, a growth of 13%, attributed to the increase in income from advertisers of HK$143 million or 16% from HK$881 million to HK$1,024 million. With the improvement of advertising revenue in Hong Kong, the Group continued to invest into contents to enrich our programme offerings with a higher content cost. Hence, this segment reported a mild decrease of EBITDA by 4% from a negative HK$548 million in 2020 to a negative HK$570 million in 2021.

Segment revenue from OTT Streaming, i.e. myTV Super, decreased from HK$412 million to HK$367 million, a drop of 11%. Despite the adverse impact caused by the pandemic, the subscription revenue maintained at a similar level of approximately HK$300 million as last year, as growth in subscribers of our myTV Gold top-tier service helped offset decline in subscription income due to expiry of certain bundled sports packages. With the weaker demand of advertising arising partly from rotation by some customers into our broadcast TV slots to take advantage of special offers, advertising revenue dropped by HK$41 million from HK$105 million to HK$64 million. In the absence of wage subsidies and mild increase of content spends, this segment reported an EBITDA of HK$37 million during the year (2020: HK$108 million).

Segment revenue from e-Commerce increased from HK$29 million to HK$238 million after acquisition of Ztore Group in late August 2021. Despite the post-acquisition results of Ztore increased the loss of e-Commerce business segment, Ztore has already been generating synergies with the rest of the Group's businesses. During the year, this segment reported a negative EBITDA of HK$93 million (2020: a negative EBITDA of HK$4 million).

Segment revenue from Mainland China operations decreased from HK$742 million to HK$666 million. The drop of 10% was due to a lower revenue from drama co-production projects with a decline in co-production revenue of HK$126 million. However, digital income from mainland China increased 11% from HK$403 million to HK$450 million, as the Mai Dui Dui (埋堆堆) app service has gained great popularity in 2021 as a result of the increased efforts in online promotion and content enhancements. This segment recorded an EBITDA of HK$189 million during the year (2020: HK$263 million).

Segment revenue from International operations decreased from HK$459 million to HK$403 million, mainly attributable to the decreased licence fees from pay TV customers in Malaysia and Singapore, which was partially offset by the mild increase of subscription of TVB Anywhere. As COVID-19 pandemic still weakened overseas market, this segment recorded a drop of EBITDA of HK$132 million from HK$255 million in 2020 to HK$123 million in 2021.

## LOSS ATTRIBUTABLE TO EQUITY HOLDERS

The Group's loss attributable to equity holders for the year totalled HK$647 million (2020: loss of HK$281 million), which was attributed by increased costs and the absense of the government wage subsidy of HK$202 million received in 2020.

## LOSS PER SHARE

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$647 million (2020: HK$281 million) and 438,000,000 shares in issue throughout the years ended 31 December 2021 and 2020, giving a basic and diluted loss per share of HK$1.48 respectively (2020: loss per share of HK$0.64).

## INTEREST INCOME

Interest income totalled HK$153 million for the year (2020: HK$161 million), which comprised interest income from the Company's investment portfolio and fixed bank deposits as well as interest income from the promissory note to Imagine Tiger Television ("ITT").

## FINANCE COSTS

Finance costs totalled HK$106 million for the year (2020: HK$101 million), which mainly comprised of 9-month interest costs of the US$500 million 3.625% notes issued by TVB Finance Limited matured in October 2021 ("TVB Notes") and the full-year effect of finance costs incurred for the US$250 million term loan from a bank drawn down in July 2020.

## INCOME TAX

The Group recorded an income tax credit of HK$102 million (2020: HK$88 million), arising mainly from deferred income tax assets arising from the tax losses of Hong Kong TV broadcasting segment during the year. Whilst TVB's main business in Hong Kong is subject to a profits tax rate at 16.5%, the Group's major overseas subsidiaries whose effective tax rates vary from 0% to 30%. The Group's overall effective tax rate for the year was 13.3% (2020: 25.4%).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position as at 31 December 2021 despite a loss recorded during the year. Total equity stood at HK$4,593 million (31 December 2020: HK$5,298 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$1,177 million (31 December 2020: HK$3,335 million). About 63% of the unrestricted bank and cash balances (approximately HK$746 million) were maintained in overseas subsidiaries for their daily operations. Unrestricted bank deposits and cash balances held by the Group were denominated mainly in Hong Kong dollars, Renminbi, US dollars and New Taiwan dollars.

At 31 December 2021, the Group's net current assets amounted to HK$1,243 million (2020: HK$3,834 million), mainly due to the re-classification of a 3-year bank loan to current liabilities as at year-end. The current ratio, expressed as the ratio of current assets to current liabilities, was 1.4 at 31 December 2021 (2020: 2.5).

Borrowings at 31 December 2021 totalled HK$2,009 million (31 December 2020: HK$3,753 million) which composed a bank loan of HK$1,948 million and other borrowings of HK$61 million. The reduction was mainly due to the redemption of the TVB Notes with outstanding balance of US$235 million in October 2021. At 31 December 2021, the Group's gearing ratio, expressed as a ratio of net debt to total equity, was 19.2% (2020: 8.6%).

## BOND PORTFOLIO

As at 31 December 2021, the Company's portfolio of fixed income securities amounted to HK$234 million (31 December 2020: HK$511 million), which were classified under "Bond securities at amortised cost". They were issued by issuers which are listed or unlisted in Hong Kong or overseas, and in aggregate, carry a weighted average yield to maturity of 3.8% per annum (31 December 2020: 3.9%) and have ranges of maturity dates with the last maturity date of 23 January 2027. As at 31 December 2021, the investment portfolio is made up of a total of 8 (31 December 2020: 15) issuers of fixed income securities. The largest investment in fixed income securities within the portfolio represented approximately 0.7% (31 December 2020: 0.8%) of the total assets of the Group. The interest income recognised during the year from the bond securities at amortised cost amounted to HK$14 million (2020: HK$40 million). Around 39% of bond securities were disposed of during the year which incurred a loss of HK$3 million (2020: a gain of HK$22 million).

In the process of winding down the bond portfolio, a non-cash impairment losses of HK$77 million (2020: HK$118 million) were made for the legacy bond portfolio due to a slowdown in the Mainland China property market. These impairment losses were made after considering the gradual increase in credit risk of the bond portfolio under the COVID-19 environment and the latest development of certain credit-impaired bond securities.

## CAPITAL COMMITMENTS

At 31 December 2021, the Group had capital commitments totalling HK$101 million (2020: HK$56 million), mainly for the enhancement or replacement of transmission and production related equipments.

## OTHER ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Trade receivables (net of impairment loss) amounted to HK$1,002 million (2020: HK$1,096 million), a decrease of 9%, which was mainly due to more efforts on debt collection process with tighter credit control on both new and existing customers albeit an increasing revenue level during the year. As such, trade debtors aged over 5 months as at 31 December 2021 significantly decreased by 40% to HK$124 million (2020: HK$205 million). Impairment loss provisions are calculated based on the Group's past history, existing market conditions and forward looking estimates at 31 December 2021.

Other receivables, prepayments and deposits showed a mild increase from HK$538 million at 31 December 2020 to HK$548 million at 31 December 2021, which was due to more advances made for programme production in the first quarter of 2022.

Trade and other payables and accruals amounted to HK$768 million (2020: HK$624 million).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

## SHARE OPTION SCHEME

The Company and Big Big e-Commerce Group Limited ("BBECGL") adopted the Share Option Scheme and the Subsidiary Share Option Scheme (collectively "Share Option Schemes") respectively on 29 June 2017. These Share Option Schemes are valid and effective for a period of ten years from the date of adoption. 17,000,000 share options were granted by the Company under the Share Option Scheme in 2018. During the year, no share options had been granted by the Company under the Share Option Scheme or by BBECGL under the Subsidiary Share Option Scheme respectively. As a result of the retirement/resignation of several grantees, 6,750,000 share options under the Share Option Scheme was lapsed during the year, with 9,250,000 outstanding at 31 December 2021.

## HUMAN RESOURCES

At the Period end, the Group employed a total of 3,870 full-time employees (31 December 2020: 3,644), 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 BBECGL.

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 recruitment, training and development of talents and 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.

# GOVERNANCE

# DIRECTORS

Thomas HUI To | LI Ruigang | Anthony LEE Hsien Pin | Kenneth HSU Kin

**Thomas HUI To**
Chairman
Non-executive Director
Chairman of Executive Committee
Chairman of Nomination Committee
Member of Investment Committee

**Board appointment** Mr. Hui, aged 49, was appointed as the Chairman and a Non-executive Director of the Company on 29 April 2020. Mr. Hui was first appointed as a Non-executive Director of the Company on 23 April 2015, re-designated as an Executive Director on 21 March 2018, and further re-designated as a Non-executive Director on 29 April 2020. In addition, he holds directorship in a subsidiary of the Company.

**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 of Hong Kong Limited ("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 Young Lion Holdings Limited ("YLH"), Young Lion Acquisition Co. Limited ("YLA") and Shaw Brothers Limited ("SBL") of 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.

**LI Ruigang**
Non-executive Director
Member of Executive Committee
Member of Remuneration Committee

**Board appointment** Mr. Li, aged 52, was appointed as a Non-executive Director of the Company and the Vice Chairman of the Board on 17 October 2016. He ceased to be the Vice Chairman on 29 April 2020. In addition, Mr. Li holds directorship in a subsidiary of the Company.

Dr. William LO Wing Yan JP

Dr. Allan ZEMAN GBM, GBS, JP

Felix FONG Wo BBS, JP

Belinda WONG Ching Ying

**Competencies and experience** Mr. Li is the founding chairman and CEO of CMC Inc. (together with its affiliates, "CMC") 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 across the 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. 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 YLH, YLA and SBL, all of which are substantial shareholders of the Company. Mr. Li is a director of YLH, YLA and SBL. 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.

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

**Board appointment** Mr. Lee, aged 64, was appointed as a Non-executive Director of the Company on 3 February 2012. Mr. Lee was an Alternate Director to the late 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 non-executive 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.

# DIRECTORS

**Kenneth HSU Kin**
Non-executive Director
Member of Risk Committee

**Board appointment** Mr. Hsu, aged 73, was appointed as a Non-executive Director of the Company on 2 December 2020.

**Competencies and experience** Mr. Hsu was formerly the vice president and managing director of the Asia Pacific operations of Johnson Controls Inc., a publicly-listed American Irish-domiciled multinational conglomerate. Prior to that, Mr. Hsu worked for the Government of the Republic of Singapore. Mr. Hsu is a licensed professional engineer in Hong Kong, the UK and the US. He was the Chairman of the Engineers Registration Board, a HKSAR statutory board. Mr. Hsu was an active participant in the Hong Kong Institution of Engineers and had chaired many of its boards and committees. In recognition of his contributions to the profession, Mr. Hsu was a recipient of the Institution's prestigious President's Award in 2010. Mr. Hsu holds share interest in the Company through his interest in YLH, YLA and SBL, all of which are substantial shareholders of the Company. Mr. Hsu is a director of YLH, YLA and SBL.

**Qualifications** Mr. Hsu holds a bachelor's degree in Electrical Engineering from the University of Hong Kong, and post-graduate academic qualifications from the National University of Singapore and the University of Utah.

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

**Board appointment** Dr. Lo, aged 61, 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, Jingrui Holdings Limited, OCI International Holdings Limited, Oshidori International Holdings Limited and South Shore Holdings Limited, all of which are listed on the main board of the Stock Exchange. Dr. Lo is an independent non-executive director of US NASDAQ listed Regencell Bioscience Holdings Limited. 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.

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

**Board appointment** Dr. Zeman, aged 73, 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 Fosun Tourism Group, Sino Land Company Limited, Tsim Sha Tsui Properties Limited 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 and a governor of the board of governors of Our Hong Kong Foundation. 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 Degree of Business Administration by The Open University of Hong Kong (now known as Hong Kong Metropolitan University). 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.

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

**Board appointment** Mr. Fong, aged 71, 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 40 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, Guangdong Land Holdings Limited and Vesync Co., Ltd, 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 Election Committee for the purposes of electing the Chief Executive for HKSAR, 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.

**Belinda WONG Ching Ying**
Independent Non-executive Director
Chairperson of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee

**Board appointment** Ms. Wong, aged 50, was appointed as an Independent Non-executive Director of the Company on 3 December 2019.

**Competencies and experience** Ms. Wong is currently the chairman 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 University of British Columbia.

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

# SENIOR MANAGEMENT

Kitty FUNG Kit Yi | SIU Sai Wo | Eric TSANG Chi Wai | Desmond CHAN Shu Hung | Rex CHING Chit

**Eric TSANG Chi Wai**
General Manager (Content Operations)
Member of Executive Committee

**Competencies and experience** Mr. Tsang, aged 68, was appointed as General Manager (Content Operations) on 27 September 2021. He rejoined TVB on 21 January 2021 as Deputy General Manager (Non-Drama, Music Production & Programme). He also holds directorships in a number of the subsidiaries of the Company. He has overall responsibilities of TVB's key content operations, including the creation of various types of content (non-drama, co-produced drama, music) and the acquisition and curation of programmes. Mr. Tsang is a veteran actor and producer in Hong Kong's film and television industry with an extensive network of contacts and has established wide influence in the entertainment industry in the region. Mr. Tsang has committed to groom young talents, has considerable caring for performing arts, charities and the communities, and often organises large-scale fund-raising activities for benefit of the disadvantaged groups.

Mr. Tsang holds/held various important positions of the performing arts industry in Hong Kong, including the executive chairman of the Association for Betterment of Hong Kong's Entertainment Industry in Mainland China (HKEIMC), the president of the Hong Kong Performing Artistes Guild and the vice chairman of the board of directors of the Hong Kong Film Awards. Mr. Tsang was granted the Ruziniu Award (孺子牛獎) by the Ministry of Civil Affairs of the People's Republic of China in 1993 and the Medal of Honor by the government of the HKSAR on 1 July 2008. He was an elected member of the Standing Committee of the Chinese People's Political Consultative Conference of Jiangmen City, Guangdong Province in 2011, and the honorary chairman of the World Trade Federation. Mr. Tsang was awarded an Honorary Doctorate Degree of University of Colorado Boulder in 2006.

**SIU Sai Wo**
General Manager (Business Operations)
Member of Executive Committee

**Competencies and experience** Mr. Siu, aged 59, was appointed as General Manager (Business Operations) on 4 October 2021. He is responsible for overseeing marketing and sales operations across TVB's various platforms as well as directing all internal and external corporate communication activities and formulating the Group's overall brand strategy. Prior to joining TVB, Mr. Siu was an executive director and the chief executive officer of Sing Tao News Corporation Limited. He held various senior positions at a number of leading Chinese newspaper companies in Hong Kong and has worked in the print media industry over 35 years. Mr. Siu is the vice chairman of The Newspaper Society of Hong Kong and the vice chairman of The Chinese Language Press Institute. He is active in joining social services, currently a member of the Steering Committee on Promotion of Volunteer Service under the Social Welfare Department of The Government of the HKSAR. He obtained a Bachelor of Journalism and Communication Degree from The Chinese University of Hong Kong in 1985.

**Desmond CHAN Shu Hung**
Deputy General Manager (Legal and International Operations)
Member of Regulatory Committee

**Competencies and experience** Mr. Chan, aged 54, 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 HKSAR (not currently in private practice).

**Kitty FUNG Kit Yi**
Chief Financial Officer and Company Secretary
Member of Investment Committee

**Competencies and experience** Ms. Fung, aged 58, joined the Company on 1 December 2021 and was appointed as the Chief Financial Officer and the Company Secretary of the Company effective 1 January 2022. She also holds directorships in a number of subsidiaries of the Company. Prior to joining TVB, Ms. Fung was the chief financial officer of West Kowloon Cultural District Authority since 2019 to 2021 and an executive director and group chief financial officer of Dah Chong Hong Holdings Limited from 2016 to 2019. She has over 30 years of hands-on and diversified working experience in renowned multinational corporations and well-known organisations. Ms. Fung holds a Master of Business Administration degree – Double Major in Finance and Marketing from Indiana University (USA). She is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants, a Certified Management Accountant in the United States and a Chartered Financial Analyst of The CFA Institute. She received the Greater Bay Area Outstanding Women Entrepreneur Award and The Enterprise Award by DHL/South China Morning Post in 2018.

**Rex CHING Chit**
Group Chief Technology Officer

**Competencies and experience** Mr. Ching, aged 46, was appointed as Group Chief Technology Officer in September 2021 to lead the development and dissemination of technology across all business groups within TVB. He was also appointed as President of MyTV Super Group in January 2022 for overseeing the business, operations and technology development. Mr. Ching also holds directorships in certain subsidiaries of the Company. He joined TVB as Head of Technical Engineering in October 2014. Before joining TVB, Mr. Ching worked in PCCW Solution to lead the IT development for nowTV. He has 24 years of extensive experience in OTT, IT and Telecommunication industries. Mr. Ching holds a Bachelor of Electrical and Electronics Engineering and Master of Economics from The University of Hong Kong. He is also the Corporate Member of The Hong Kong Institution of Engineers.

# DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021.

## 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 44 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 113.

Distributable reserves of the Company amounted to HK$2,678,557,000 at 31 December 2021 (2020: HK$3,367,242,000).

## DIVIDEND

The Board of Directors did not recommend the payment of a dividend for the year ended 31 December 2021.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 27 April 2022 to Wednesday, 25 May 2022, both dates inclusive, ("Book Close Period") for the purpose of determining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Wednesday, 25 May 2022 ("2022 AGM"). During the Book Close Period, no transfer of shares will be registered. The Register of Members of the Company will be re-opened on Thursday, 26 May 2022.

In order to be entitled to attend and vote at the 2022 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, 26 April 2022.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$764,500.

## 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 106.

## BUSINESS REVIEW

A detailed review on business performance of the Group for the year ended 31 December 2021 and future prospects of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis". Further discussion and analysis as required under Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group can be found in the section headed "Corporate Governance Report". The discussion on environmental policies and performance, compliance with relevant laws and regulations, and relationships with the stakeholders are provided in the "2021 Environmental, Social and Governance Report" which is available on the Company's website at https://corporate.tvb.com. These discussions form part of this Directors' Report.

## DIVIDEND POLICY

The Board supports a policy to provide a steady dividend return to shareholders. The Company adopted a written dividend policy at the Board Meeting on 6 December 2018.

Dividend distribution to the Company's shareholders should be approved by its shareholders or Directors, where appropriate. Directors may declare and pay such interim dividend as appear to the Directors to be justified by the profits of the Company and special dividend of such amounts out of distributable funds of the Company as they think fit. No dividend shall be payable except out of the profits of the Company available for distribution.

## DIRECTORS

The Directors of the Company during 2021 were, and at the date of this Annual Report are, as follows:

### Non-executive Directors

Thomas Hui To

Li Ruigang

Anthony Lee Hsien Pin

Kenneth Hsu Kin

### Independent Non-executive Directors

William Lo Wing Yan

Allan Zeman

Felix Fong Wo

Belinda Wong Ching Ying

### Resigned and Retired Directors

Mark Lee Po On
(resigned as Executive Director on 27 May 2021)

Chen Wen Chi
(retired as Non-executive Director on 26 May 2021)

Caroline Wang Chia-Ling
(retired as Independent Non-executive Director on 26 May 2021)

The Company had received confirmation from Mr. Lee Po On and Professor Caroline Wang Chia-Ling that they had no disagreement with the Board. The Company had confirmed that Mr. Chen Wen Chi had no disagreement with the Board. There was no matter relating to their resignation/retirement that needed to be brought to the attention of the shareholders.

The Company issued letter 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. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Dr. William Lo Wing Yan and Dr. Allan Zeman who retired at the Company's annual general meeting held on 26 May 2021 ("2021 AGM") were successfully re-elected as Directors at the 2021 AGM and Mr. Kenneth Hsu Kin was successfully elected as Director at the 2021 AGM.

None of the Directors of the Company is subject to retirement for re-election at the 2022 AGM.

## DIRECTORS OF THE SUBSIDIARIES

A list of names of all the directors who have served on the boards of Company's subsidiaries during 2021 and up to the date of this report is available on the Company's website at https://corporate.tvb.com.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). As at 31 December 2021, these competing businesses are set out below.

Mr. Li Ruigang, a Non-executive Director of the Company, is the founding chairman and CEO of CMC Inc. and founding partner of CMC Capital Partners (CMC Inc. and CMC Capital Partners, together with their affiliates, called "CMC") and through CMC has certain deemed interests as a substantial shareholder and/or holds certain directorships in companies within CMC which are engaged in the businesses of television programme licensing and distribution and e-commerce in mainland China ("Interested Companies").

Besides 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 Holdings.

Mr. Thomas Hui To, Chairman and Non-executive Director of the Company, 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, the programme licensing and distribution and e-commerce 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, the programme licensing and distribution and the e-commerce businesses of the Interested Companies, Shaw Brothers Holdings and the Company taken together only represent a small percentage of the total market for programme production, programme licensing and distribution and e-commerce in mainland China, the impact on competition is considered insignificant.

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 CMC and/or TVB and Shaw Brothers Holdings 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 CMC and/or TVB and Shaw Brothers Holdings, 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 2021, 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 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept under Section 352 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:

### Long Positions in the Shares of the Company

| | Number of ordinary shares held | | | | | Percentage |
|---|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests | Corporate interests | Other interests | Total interests | of issued shares[a] |
| Kenneth Hsu Kin | – | – | 96,817,527[#(b)] | – | 96,817,527 | 22.10% |
| Li Ruigang | – | – | 96,817,527[#(c)] | – | 96,817,527 | 22.10% |

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".

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

(b) Mr. Kenneth Hsu Kin ("Mr. Hsu") was deemed to be interested in these 96,817,527 shares held by Shaw Brothers Limited, an indirect wholly-owned subsidiary of Young Lion Holdings Limited, which was controlled by Mr. Hsu through Ever Port Limited (see below Note (c) under the sub-heading of "Other Persons' Interests in the Shares of the Company" for details).

(c) Mr. Li Ruigang was deemed to be interested in these 96,817,527 shares held by Shaw Brothers Limited. Such interests were held indirectly through CMC M&E Acquisition Co. Ltd. (see below Note (d) under the sub-heading of "Other Persons' Interests in the Shares of the Company" for details).

## Long Positions in the Underlying Shares of the Company

| Name of director | Number of underlying shares held: Personal interests | Family interests | Corporate interests | Other interests | Total interests | Percentage of issued shares[(a)] |
|---|---|---|---|---|---|---|
| Thomas Hui To | 2,000,000 | – | – | – | 2,000,000 | 0.46% |

Notes:

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

(b) Share options ("Options") were granted to the Director on 22 March 2018 under the share option scheme adopted by the Company 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 74 to 76 in this Annual Report.

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

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

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

(i) 20% of the Options shall be exercisable from 1 December 2018 to 22 March 2023 (both dates inclusive);

(ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both dates inclusive);

(iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both dates inclusive);

(iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both dates inclusive); and

(v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both dates inclusive).

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

## Long Positions in the Shares of the Associated Corporation of the Company

| Name of associated corporation | Name of Director | Number of shares held: Personal interests | Family interests | Corporate interests | Other interests | Total interests | Percentage of issued shares[(a)] |
|---|---|---|---|---|---|---|---|
| Shine Investment Limited | Li Ruigang | – | – | 102[(b)] | – | 102 | 85.00% |

Notes:

(a) Percentage of issued shares 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.

Save for the information disclosed above, at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

At 31 December 2021, 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 shares, in the shares and the underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

## Long Positions in the Shares of the Company

| Name | Number of shares held | Percentage of issued shares[a] |
|---|---|---|
| Shaw Brothers Limited [b] | 96,817,527#[c][e] | 22.10% |
| Young Lion Acquisition Co. Limited | 96,817,527#[c][e] | 22.10% |
| Young Lion Holdings Limited | 96,817,527#[c][e] | 22.10% |
| Ever Port Limited | 96,817,527#[c][e] | 22.10% |
| Brilliant Spark Holdings Limited | 96,817,527#[d] | 22.10% |
| Gold Pioneer Worldwide Limited | 96,817,527#[d] | 22.10% |
| GLRG Holdings Limited | 96,817,527#[d] | 22.10% |
| CMC Inc. | 96,817,527#[d] | 22.10% |
| CMC M&E Holdings Limited | 96,817,527#[d] | 22.10% |
| CMC M&E Acquisition Co. Ltd. | 96,817,527#[d][e] | 22.10% |
| Silchester International Investors LLP | 61,407,500[f] | 14.02% |
| Dodge & Cox | 40,163,800[f] | 9.17% |
| Silchester International Investors International Value Equity Trust | 26,307,900 | 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".

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

(b) Shaw Brothers Limited ("SBL") was the registered shareholder of 96,817,527 shares of the Company.

(c) SBL was a wholly-owned subsidiary of Young Lion Acquisition Co. Limited ("YLA"), which was in turn a wholly-owned subsidiary of Young Lion Holdings Limited ("YLH"). YLH was controlled by Ever Port Limited ("EPL"), which was in turn wholly-owned by Mr. Kenneth Hsu Kin, a Non-executive Director of the Company ("Mr. Hsu"). Therefore, YLA, YLH and EPL were deemed to be interested in the same 96,817,527 shares held by SBL.

(d) CMC M&E Acquisition Co. Ltd. ("CMC M&E Acquisition") was deemed to be interested in the same 96,817,527 shares held by SBL. Such interests were held through its interest in YLH. CMC M&E Acquisition was a wholly-owned subsidiary of CMC M&E Holdings Limited, which was in turn a wholly-owned subsidiary of CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer Worldwide Limited, which held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings Limited. Gold Pioneer Worldwide Limited was wholly-owned by Brilliant Spark Holdings Limited, which was in turn wholly-owned and controlled by Mr. Li Ruigang.

(e) Mr. Hsu, EPL, CMC M&E Acquisition, YLH, YLA and SBL were the parties of an agreement ("Agreement") to hold the interest in these 96,817,527 shares of the Company. The Agreement was an agreement to which Section 317 of the SFO applied.

(f) The interests were held in the capacity of investment managers.

Save for the information disclosed above, at 31 December 2021, no other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## 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 Options during 2021 are set out below:

| | | Number of Options held | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of grantee | Date of grant | Outstanding at 1 January 2021 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | Outstanding at 31 December 2021 | Exercise price per share | Closing price of the Company's shares at the date of grant | Exercise period |
| **Directors** | | | | | | | | | | |
| Thomas Hui To [c] | 22 March 2018 | 2,000,000 | – | – | – | – | 2,000,000 | HK$25.84 | HK$25.60 | Note [b] |
| Mark Lee Po On [c] | 22 March 2018 | 2,000,000 | – | – | – | 2,000,000 | – | HK$25.84 | HK$25.60 | Note [b] |
| Sub-total | | 4,000,000 | – | – | – | 2,000,000 | 2,000,000 | | | |
| **Employees (In aggregate)** | 22 March 2018 | 8,500,000 | – | – | – | 3,250,000 | 5,250,000 | HK$25.84 | HK$25.60 | Note [b] |
| Sub-total | | 8,500,000 | – | – | – | 3,250,000 | 5,250,000 | | | |
| **Employees of subsidiaries (In aggregate)** | 22 March 2018 | 3,000,000 | – | – | – | 1,000,000 | 2,000,000 | HK$25.84 | HK$25.60 | Note [b] |
| Sub-total | | 3,000,000 | – | – | – | 1,000,000 | 2,000,000 | | | |
| **Other Participants** | 22 March 2018 | 500,000 | – | – | – | 500,000 | – | HK$25.84 | HK$25.60 | Note [b] |
| Sub-total | | 500,000 | – | – | – | 500,000 | – | | | |
| **Total** | | **16,000,000** | **–** | **–** | **–** | **6,750,000** | **9,250,000** | | | |

Notes:

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

(b) 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 dates inclusive);

(ii) 20% of the Options shall be exercisable from 1 December 2019 to 22 March 2023 (both dates inclusive);

(iii) 20% of the Options shall be exercisable from 1 December 2020 to 22 March 2023 (both dates inclusive);

(iv) 20% of the Options shall be exercisable from 1 December 2021 to 22 March 2023 (both dates inclusive); and

(v) 20% of the Options shall be exercisable from 1 December 2022 to 22 March 2023 (both dates inclusive).

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

(c) The Options granted to the Directors namely, Mr. Thomas Hui To and the former director, Mr. Mark Lee Po On, had been approved by the Board of Directors (including all Independent Non-executive Directors) at its meeting on 22 March 2018.

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 HK$1.00 as consideration for the acceptance of the Offer. Each Option entitles the holder to subscribe for one share of the Company.

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

No options were granted, exercised, cancelled or lapsed under TVB Option Scheme during 2021 except for the Options granted to Mr. Mark Lee Po On, a former Executive Director of the Company, certain former employees of the Company and other participant were lapsed during 2021. Details of the Options is set out in Note 30 to the consolidated financial statements.

## Subsidiary Share Option Scheme of Big Big e-Commerce Group Limited ("BBECGL")

The Company approved the adoption of a share option scheme of its subsidiary, BBECGL ("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 BBECGL, thereby encouraging the grantees of such options to work towards enhancing the value of BBECGL and for the benefit of BBECGL 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 BBECGL ("BBECGL Board") or its delegated committee may at its discretion grant share options to eligible participants (including a director, an employee of BBECGL or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or suppliers to provide service or goods to BBECGL or its affiliate; a customer or joint venture partner of BBECGL or its affiliate; a trustee of any trust established for the benefit of employees of BBECGL or its affiliate, any other class of participants which BBECGL Board or its delegated committee considers to have contributed or may contribute by way of different forms of cooperation for development and growth of BBECGL).

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 2021 or at the year-end date was the Company, its parent company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## 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

1. Continuing connected transactions with 上海翡翠東方傳播有限公司 ("TVBC"), announced on 28 February 2020

   As announced on 28 February 2020, TVBI Company Limited ("TVBI"), a direct wholly-owned subsidiary of the Company, entered into a licence agreement ("2020 Licensing Agreement") in relation to the supply of the licensed programmes in the People's Republic of China ("PRC") and a supply agreement ("2020 Supply Agreement") in relation to the supply of the TV broadcasting and marketing materials in the PRC with TVBC. As at the date of entering of the 2020 Licence Agreement and the 2020 Supply Agreement, TVBC was owned as to 70% by the Company and hence a non wholly-owned subsidiary of the Company. Mr. Li Ruigang, 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 2020 Licensing Agreement and the 2020 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 2020 Licensing Agreement and the 2020 Supply Agreement are as follows:

   (a) On 28 February 2020, TVBI and TVBC entered into the 2020 Licensing Agreement, pursuant to which TVBI agreed to supply during the period from 1 April 2020 to 31 March 2023 TVBC with the licensed programmes as selected by TVBC and grant an exclusive licence to TVBC, among other things, (i) 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 2021 was HK$203,040,810.

   (b) On 28 February 2020, TVBI and TVBC entered into the 2020 Supply Agreement, pursuant to which TVBI agreed to supply during the period from 1 April 2020 to 31 March 2023 TVBC with the TV broadcasting and marketing materials relating to the licensed programmes as selected by TVBC under the 2020 Licensing Agreement. The fee received by TVBI during 2021 was HK$19,531,890.

2. Continuing connected transactions with Mr. Mark Lee Po On ("Mr. Lee"), announced on 26 May 2021

   As announced on 26 May 2021, the Company entered into a consultancy agreement ("Consultancy Agreement") with Mr. Lee, pursuant to which Mr. Lee agreed to provide strategic advice and industry expertise to the Company and ensure that there was orderly and smooth transitioning of his duties (including but not limited to those under his employment contract) for a 12-month term from 15 June 2021 to 14 June 2022 (inclusive). Mr. Lee was the Vice Chairman, Group Chief Executive Officer and Executive Director of the Company until his departure from the Company effective from 27 May 2021 and is therefore a connected person of the Company. Accordingly, the transactions under the Consultancy Agreement constituted continuing connected transactions for the Company which are subject to reporting, announcement and annual review requirements under the Listing Rules.

The services fee paid by the Company to Mr. Lee pursuant to the Consultancy Agreement during 2021 was HK$3,737,681.

All of the Independent Non-executive Directors of the Company having reviewed and confirmed the transactions described in paragraphs 1 and 2 above, were:

(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 (Revised) "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 an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 76 to 77 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.

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 2021.

## 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 2021 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 40 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 28 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 2021, the Group had provided the following financial assistance to SMI Holdings Group Limited ("SMI"), a company previously listed on the Stock Exchange (stock code: 00198) and the listing of its shares was cancelled on 14 December 2020 and an independent third party of the Group, which in aggregate exceeded 8% under the assets ratio (as defined under Chapter 14 of the Listing Rules) and hence constituted an advance to an entity under Rule 13.13 of the Listing Rules:

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

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

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

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

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

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

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

For details and the latest development of the above advances to SMI, please refer to the Company's announcement dated 2 May 2018 and Notes 12(b) and 13(b) to the consolidated financial statements. As at 31 December 2021, the outstanding principal of the above advances remained as US$106,000,000.

## Imagine Tiger Television LLC

As at 31 December 2021, 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 and remained outstanding as at 31 December 2021.

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 2021 are presented as follows:

| | Combined statement of financial position HK$'000 | The Group's attributable interest HK$'000 |
|---|---|---|
| Non-current assets | – | – |
| Current assets | 595,737 | 593,112 |
| Current liabilities | (159,470) | (139,973) |
| Net current assets | 436,267 | 453,139 |
| Total assets less current liabilities | 436,267 | 453,139 |
| Non-current liabilities | (894,335) | (894,335) |
| Less: unrecognised share of loss | – | 417,712 |
| Net liabilities | (458,068) | (23,484) |

## BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee, the Investment Committee and the Regulatory Committee of the Board and their work done during the year are set out in the Corporate Governance Report on pages 91 to 99.

## CORPORATE GOVERNANCE

The Corporate Governance Report for the year are set out on pages 81 to 103 of this Annual Report.

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

TVB Notes, issued by TVB Finance Limited and previously purchased by the Company, with the nominal amount of US$264,820,000 in aggregate, were cancelled on 4 October 2021. The remaining outstanding TVB Notes of US$235,180,000 were also fully redeemed on 11 October 2021.

Except for the above, the Company had not redeemed, and neither had the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Year.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total number of issued shares is held by the public at all times. At 23 March 2022, there were 378 shareholders on the Company's register of members.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers and the largest customer accounted for approximately 26% and 11% of the total revenue respectively. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the Directors, their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the 2022 AGM.

On behalf of the Board

**Thomas Hui To**
*Chairman*

Hong Kong, 23 March 2022

# CORPORATE GOVERNANCE REPORT



TVB's key corporate governance practices and activities during the year ended 31 December 2021 are set out in this Corporate Governance Report ("CG Report"), which has been prepared in accordance with the requirements of Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

## 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 Codes") throughout 2021.

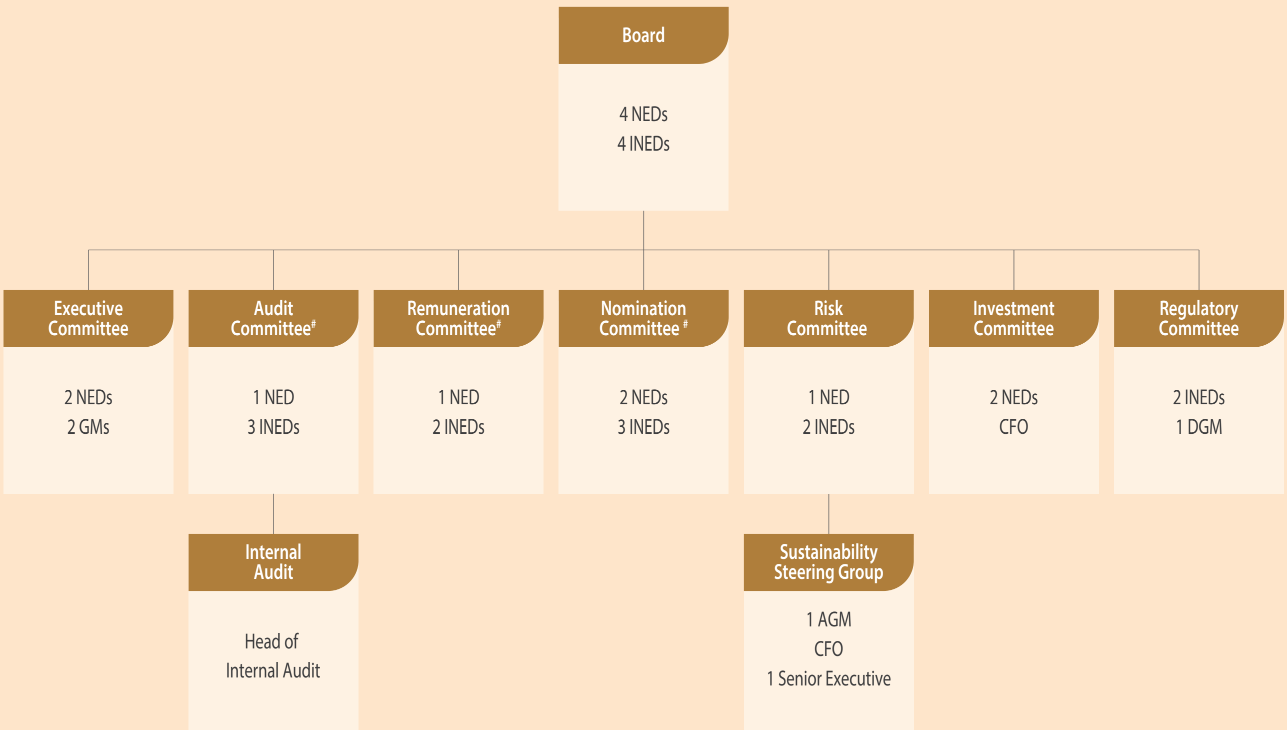
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY AND REPORT

The Board has overall responsibility for the Company's environmental, social and 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.

The 2021 ESG Report will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (https://corporate.tvb.com) together with this Annual 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 committee under the Listing Rules

Director
NED : Non-executive Director
INED : Independent Non-executive Director

Management
GM : General Manager
DGM : Deputy General Manager
AGM : Assistant General Manager
CFO : Chief Financial Officer

## 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 seven Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee, the Investment Committee and the Regulatory Committee, a new committee of the Board established on 24 March 2021.

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; 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.

The composition of the Board comprises of eight Non-executive Directors (including four Independent Non-executive Directors ("INEDs")) which together give the Board a balance of skills and experience necessary for the fulfilment of the Company's business objectives. The high representation of INEDs on the Board helps provide independent views and judgement when they are called for.

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

A list of the Directors of the Company is set out on page 69 and the biographical information of Directors are set out on pages 62 to 65 of this Annual 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 | Regulatory Committee |
|---|---|---|---|---|---|---|---|---|
| **Chairman and Non-executive Director** | | | | | | | | |
| Thomas Hui To | | C | – | – | C | – | M | – |
| **Non-executive Directors** | | | | | | | | |
| Li Ruigang | | M | – | M | – | – | – | – |
| Anthony Lee Hsien Pin | | – | M | – | M | – | C | – |
| Kenneth Hsu Kin | | – | – | – | – | M | – | – |
| **Independent Non-executive Directors** | | | | | | | | |
| William Lo Wing Yan | | – | C | – | – | M | – | M |
| Allan Zeman | | – | – | – | M | – | – | – |
| Felix Fong Wo | | – | M | M | M | C | – | C |
| Belinda Wong Ching Ying | | – | M | C | M | – | – | – |
| **Senior Management** | | | | | | | | |
| Eric Tsang Chi Wai | | M | – | – | – | – | – | – |
| Siu Sai Wo | | M | – | – | – | – | – | – |
| Desmond Chan Shu Hung | | – | – | – | – | – | – | M |
| Kitty Fung Kit Yi | | – | – | – | – | – | M | – |

C: Chairman of the committee
M: Member of the committee

## 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:

| | |
|---|---|
| **On 24 March 2021** | |
| • Audit Committee | Ms. Belinda Wong Ching Ying was appointed as a new member of the committee and Professor Caroline Wang Chia-Ling ceased to act as a member of the committee. |
| • Nomination Committee | Mr. Thomas Hui To was appointed as the chairman of the committee, Mr. Felix Fong Wo was re-designated as a member of the committee and Dr. William Lo Wing Yan ceased to act as a member of the committee. |
| • Risk Committee | Mr. Kenneth Hsu Kin was appointed as a new member of the committee and Professor Caroline Wang Chia-Ling ceased to act as a member of the committee. |
| • Regulatory Committee | Mr. Felix Fong Wo was appointed as chairman of the committee, Dr. William Lo Wing Yan, Mr. Mark Lee Po On and Mr. Desmond Chan Shu Hung were appointed as members of the committee upon the establishment of committee. |
| **On 26 May 2021** | |
| • Board | Mr. Chen Wen Chi retired as a Non-executive Director of the Company and Professor Caroline Wang Chia-Ling retired as an Independent Non-executive Director of the Company.<br><br>Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Dr. William Lo Wing Yan and Dr. Allan Zeman were successfully re-elected as Directors at the annual general meeting of the Company on 26 May 2021 ("2021 AGM"). Mr. Kenneth Hsu Kin was successfully elected as Director at the 2021 AGM. |
| **On 27 May 2021** | |
| • Board | Mr. Mark Lee Po On resigned as Vice Chairman, Executive Director and Group Chief Executive Officer of the Company. |
| • Executive Committee | Mr. Thomas Hui To was appointed as chairman of the committee and Mr. Adrian Mak Yau Kee was appointed as a new member of the committee. Mr. Mark Lee Po On ceased to be the chairman of the committee. |
| • Risk Committee | Mr. Mark Lee Po On ceased to act as a member of the committee. |
| • Investment Committee | Mr. Mark Lee Po On ceased to act as a member of the committee. |
| • Regulatory Committee | Mr. Mark Lee Po On ceased to act as a member of the committee. |

| On 1 January 2022 | |
|---|---|
| • Executive Committee | Mr. Eric Tsang Chi Wai and Mr. Siu Sai Wo were appointed as new members of the committee. Mr. Adrian Mak Yau Kee ceased to act as a member of the committee. |
| • Investment Committee | Ms. Kitty Fung Kit Yi was appointed as a new member of the committee. Mr. Adrian Mak Yau Kee ceased to act as a member of the committee. |

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

## BOARD DIVERSITY

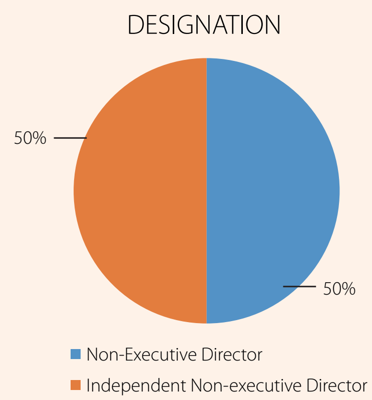
The Board has adopted a Board Diversity Policy, which follows the practice as laid down by the Stock Exchange. The Board Diversity Policy contains measurable objectives for implementation, and monitoring and reporting on achieving its objectives.

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.

Board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and business experience.

### The Board has a total of 8 Directors

| Non-executive Directors | Independent Non-executive Directors |
|---|---|
| 4 | 4 |

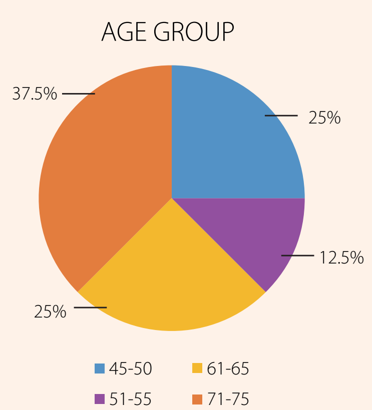



### Age Group

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

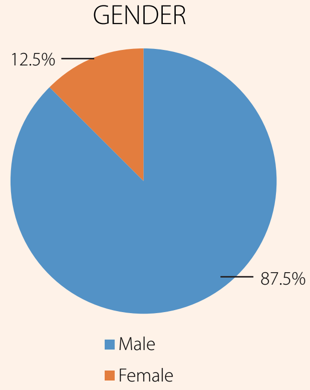
| 45-50 | 51-55 | 56-60 | 61-65 | 66-70 | 71-75 |
|---|---|---|---|---|---|
| 2 | 1 | 0 | 2 | 0 | 3 |

The average age of Directors is 62 years old.



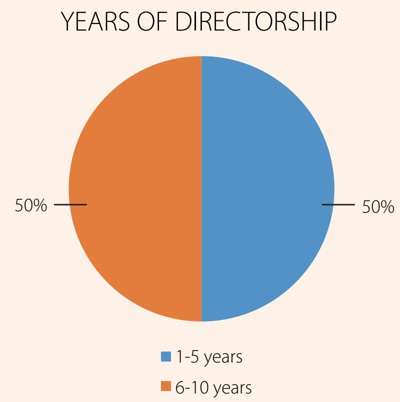
### Gender

| Male | Female |
|---|---|
| 7 (87.5%) | 1 (12.5%) |




### Years of directorship with TVB

| 1-5 years | 6-10 years |
|---|---|
| 4 | 4 |




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

| Director | Title | Background Professional/Expertise |
|---|---|---|
| Thomas Hui To | Chairman and Non-executive Director | Media and Entertainment, Investment |
| Li Ruigang | Non-executive Director | Media and Entertainment |
| Anthony Lee Hsien Pin | Non-executive Director | Finance and Investment |
| Kenneth Hsu Kin | Non-executive Director | Engineering and Management |
| William Lo Wing Yan | Independent Non-executive Director | Technology, Media and Telecommunications |
| 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 investment; legal and regulatory; media and entertainment; technology to engineering, which fit well with the Company's business objectives. While the Chairman of the Board, together with other Board members, are searching for a suitable candidate to fill the vacancy of Executive Director, the Nomination Committee considers that the current board composition is appropriate for the Company and for its 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.

To keep Directors abreast of professional developments and to meet the requirement of the Listing Rules, the Company organises trainings from time-to-time on relevant professional topics and areas of interests.

During 2021, the Company facilitated training sessions to Directors on regulatory update on the relevant provisions in the Broadcasting Ordinance in connection with Disqualified Persons. In addition, each Director was asked to provide to the Company a record of the training he/she received during the year from other sources for record and completeness purposes.

### Proceedings of the Board 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, 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 meeting, draft minutes of the previous meeting are circulated and commented on by Directors, before they are approved by the Chairman.

Pursuant to the Articles of Association of the Company ("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 is 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.

## ATTENDANCE RECORDS OF DIRECTORS

The attendance (Note 1) records of Directors at the Board and its Committees meetings and 2021 AGM are set out below (Note 2):

| Directors | Board meetings | Executive Committee meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meeting | Risk Committee meetings | Investment Committee meetings | Regulatory Committee meeting | 2021 AGM |
|---|---|---|---|---|---|---|---|---|---|
| Thomas Hui To | 6/6 | 8/8 | – | – | 1/1 | – | 4/4 | – | 1/1 |
| Li Ruigang | 6/6 | 6/8 | – | 2/2 | – | – | – | – | 1/1 |
| Anthony Lee Hsien Pin | 6/6 | – | 3/3 | – | 1/1 | – | 4/4 | – | 1/1 |
| Kenneth Hsu Kin | 6/6 | – | – | – | – | 1/1 | – | – | 1/1 |
| William Lo Wing Yan | 6/6 | – | 3/3 | – | 1/1 | 2/2 | – | 1/1 | 1/1 |
| Allan Zeman | 5/6 | – | – | – | 1/1 | – | – | – | 1/1 |
| Felix Fong Wo | 6/6 | – | 3/3 | 2/2 | 1/1 | 2/2 | – | 1/1 | 1/1 |
| Belinda Wong Ching Ying | 6/6 | – | 2/2 | 2/2 | 1/1 | – | – | – | 1/1 |

| Resigned/Retired Directors | Board meetings | Executive Committee meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meeting | Risk Committee meetings | Investment Committee meetings | Regulatory Committee meeting | 2021 AGM |
|---|---|---|---|---|---|---|---|---|---|
| Mark Lee Po On (Note 3) | 1/3 | 2/2 | – | – | – | 1/1 | 2/2 | 1/1 | 0/1 |
| Chen Wen Chi (Note 4) | 0/3 | – | – | – | – | – | – | – | 0/1 |
| Caroline Wang Chia-Ling (Note 4) | 3/3 | – | 1/1 | – | – | 1/1 | – | – | 0/1 |

Notes:

1. Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Articles.
2. Attendance ratio – Total number of meeting(s) attended/Total number of meeting(s) held during 2021.
3. Mr. Mark Lee Po On resigned on 27 May 2021.
4. Mr. Chen Wen Chi and Professor Caroline Wang Chia-Ling retired on 26 May 2021.

## BOARD MEETINGS AND RESOLUTIONS

During 2021, the Board dealt with the following matters through meetings and resolutions-in-writing:

### Financial and Operational Performance

- approved the annual results for the year ended 31 December 2020;
- received from Management financial and business performance of the Group periodically;
- approved the equity investment in an e-commerce business;
- approved the interim results for the six months ended 30 June 2021;
- approved the cancellation of repurchased USD notes; and
- discussed and approved the budget of the Group for the year ending 31 December 2022.

### Governance

- approved the establishment of a new Board Committee;
- approved the changes to the terms of references of various Board Committees;
- approved the resignation of Director, changes in the composition of Board Committees, and the appointment of the Chief Financial Officer and Company Secretary; and
- approved the agreement which constituted continuing connected transactions of the Company.

In December 2021, the Chairman of the Board, as required under the CG Codes, held a meeting with the INEDs without the presence of other Directors to discuss issues relevant to the Board. No matters of significance arose from this meeting between the Chairman and the INEDs.

## 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.

## 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 2021.

Based on the records of meetings, the 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.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has adopted stringent procedures for the appointment of INEDs and the continuous requirements 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 Board Diversity Policy, and perform an assessment of the independence of such candidates.
- 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 INEDs is required to inform the Stock Exchange and the Company, as soon as practicable, if there is any change in his/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 bi-annual basis.
- All Directors (including the INEDs) have a continuous duty to update the Company with changes to their other appointments with the objective to ensure that they continue to be independent.

### Annual Assessment

- Each of the INEDs 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 four INEDs on the Board, namely, Dr. William Lo Wing Yan, 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 in number of the total 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 INEDs has given the Company a confirmation of his/her independence. The Nomination Committee had reviewed on 22 February 2022, 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.

## RELATIONSHIPS BETWEEN DIRECTORS

The Directors have no relationships (including financial, business, family or other material/relevant relationships) among themselves, save for the fact that Mr. Li Ruigang and Mr. Kenneth Hsu Kin (both Non-executive Directors) are indirect shareholders of Shaw Brothers Limited which directly holds 22.1% of the shareholding interest of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

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 (including the Directors resigned and retired during the year) and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance and have confirmed that they had complied with the Model Code during 2021.

## 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 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.

No director of the Company is subject to election or re-election at the 2022 AGM.

## 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.

Group Chief Executive Officer 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. Mr. Mark Lee Po On, former Group Chief Executive Officer of the Company, resigned on 27 May 2021 and the role of the Group Chief Executive Officer is being performed by the Management Committee of the Company until the Group Chief Executive Officer is filled.

## BOARD COMMITTEES

The Board is supported by seven Board Committees, namely:

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

Each of them has defined terms of reference covering its authority, duties and functions. The terms of reference of these seven 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.

The attendance records of Directors at all Committee meetings in 2021 are set out in the table in this CG Report on page 88.

## EXECUTIVE COMMITTEE

The Executive Committee has been delegated by the Board with the powers of 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 four members.

| Composition | Committee Members |
|---|---|
| Non-executive Directors and Senior Management | Thomas Hui To, NED (chairman) (Note 1)<br>Li Ruigang, NED<br>Eric Tsang Chi Wai, General Manager (Content Operations) (Note 2)<br>Siu Sai Wo, General Manager (Business Operations) (Note 2) |

Note 1: Re-designated as chairman since 27 May 2021.

Note 2: Appointed since 1 January 2022.

Note 3: Mr. Mark Lee Po On ceased to act as chairman on 27 May 2021.

Note 4: Mr. Adrian Mak Yau Kee was appointed as a member on 27 May 2021 and ceased to act as a member on 1 January 2022.

During 2021, the Executive Committee held a total of eight meetings and passed five resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed the Group's management accounts and budgetary information, as well as the interim and annual financial reporting packages;
- reviewed the Group's cash position;
- reviewed the investment portfolio and approved disposal of bonds securities from the investment portfolio;
- made recommendations to the Board for dividends, if any;
- considered and approved 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 and operational matters, such as enforcement actions and general banking matters.

## AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities over independent review and supervision of financial reporting and an assessment of the effectiveness of the financial controls of the Company and its subsidiaries; review of the objectivity and the effectiveness of the external audit process in accordance with applicable standards; and review of the appointment of external auditor 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 INEDs of the Company and is chaired by an INED. 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 |
|---|---|
| INEDs as the majority | William Lo Wing Yan, INED (chairman)<br>Anthony Lee Hsien Pin, NED<br>Felix Fong Wo, INED<br>Belinda Wong Ching Ying, INED (Note 1) |

Note 1: Appointed since 24 March 2021.

Note 2: Professor Caroline Wang Chia-Ling ceased to act as a member on 24 March 2021.

During 2021, the Audit Committee held three meetings and dealt with, inter-alia, the following matters:

- reviewed accounting principles and practices adopted by the Group;
- reviewed developments in the accounting standards and assessed their potential impacts on the financial statements of the Company;
- reviewed draft interim financial information and annual consolidated financial statements and results announcements, and agreed with the auditor on its expression of the audit qualifications in the auditor's report;
- reviewed draft interim and annual reports;
- considered the proposed scope and approach of the annual audit;
- reviewed and discussed audit findings and significant issues;
- 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 report headed Review of Risk Management and Internal Control prepared by Internal Audit, covering in particular an assessment of whether the Company had maintained an effective set of financial controls.

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 107 to 110 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 2021, no matters were raised by employees or external parties to the Audit Committee under the whistleblowing procedures.

## 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**

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Company | **3,261** | 2,696 |
| Subsidiaries | **3,263** | 2,607 |
| Total | **6,524** | 5,303 |
| Fees payable to PricewaterhouseCoopers, the principal auditor | **5,560** | 4,511 |

**Fees for Non-audit Services**

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Company | **179** | 178 |
| Subsidiaries | **1,364** | 1,778 |
| Total | **1,543** | 1,956 |
| Fees payable to PricewaterhouseCoopers, the principal auditor (Note 1) | **1,214** | 1,472 |

Note 1: Non-audit services rendered by PricewaterhouseCoopers (PwC) to the Group in 2021 included principally professional fees in relation to tax compliance and advisory services. These servicing teams from PwC are 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 2021 and considered that such non-audit services rendered to the Group did not impair its independence and objectivity.

## 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 Director 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 and Work Done

The Remuneration Committee comprises three members, majority of whom are INEDs of the Company. The Committee's membership is set out below.

| Composition | Committee Members |
|---|---|
| INEDs as the majority | Belinda Wong Ching Ying, INED (chairperson)<br>Li Ruigang, NED<br>Felix Fong Wo, INED |

During 2021, the Remuneration Committee held two meetings and passed three resolutions-in-writing which dealt with, inter-alia, the following matters:

- reviewed and approved the KPI of Senior Management for determination of discretionary bonus;
- approved the key terms of appointments of Senior Management;
- considered and approved the discretionary bonus pool to staff members of the Company for 2021; and
- reviewed the fee levels for Chairman, Directors and the Board Committees, by benchmarking with other listed companies in Hong Kong.

### The Remuneration Policies

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

- remuneration should be set at a level 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.

### Remuneration of Directors

The Chairman of the Board is remunerated by a fixed Chairman's fee and the Vice Chairman of the Board is remunerated by a fixed Vice Chairman's fee. Director is remunerated by way of a fixed Director's fee and the relevant Board Committee fees, if he/she also serves on those committees. With effect from 1 December 2021, only the Non-executive Directors are entitled to Chairman's fee, Vice Chairman's fee, Director's fee and the relevant Board Committee's fee.

Any increases in Chairman's fee, Vice Chairman's fee and/or Director's fee shall be recommended by the Remuneration Committee, 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.

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 2021 and the year ending 31 December 2022 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 Directors and the Board Committees for the year ending 31 December 2022, having taken into account of the financial performance of the Company. Therefore, the Director's fees and the Board Committee fees have been frozen for five consecutive years i.e. 2018, 2019, 2020, 2021 and 2022.

| Individual Director serving | 2022 Annual fees HK$ | 2021 Annual fees HK$ |
|---|---|---|
| **Board of Directors** | | |
| Chairman | 300,000 | 300,000 |
| Vice Chairman (Note 1) | 280,000 | 280,000 |
| Directors (Note 2) | 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 |
| **Regulatory Committee** | | |
| Chairman | 70,000 | 70,000 |
| Members | 55,000 | 55,000 |

Note 1: The position of Vice Chairman has been vacant since the resignation of Mr. Mark Lee Po On on 27 May 2021.

Note 2: With effect from 1 December 2021, only the Non-executive Directors are entitled to the Director's fee.

### Remuneration of Senior Management

Members of Senior Management are remunerated by way of salaries and other incentives, such as discretionary bonuses and share options. 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 concurred with Management that no discretionary bonuses be paid to the members of Senior Management for the year ended 31 December 2021.

## 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 Company's website.

### Composition and Work Done

The Nomination Committee comprises five members, the majority of whom are Independent Non-executive Directors of the Company and its membership is set out below.

| Composition | Committee Members |
|---|---|
| INEDs as the majority | Thomas Hui To, NED (chairman) (Note 1)<br>Anthony Lee Hsien Pin, NED<br>Allan Zeman, INED<br>Felix Fong Wo, INED (Note 2)<br>Belinda Wong Ching Ying, INED |

Note 1: Re-designated as chairman since 24 March 2021.

Note 2: Re-designated as a member since 24 March 2021.

Note 3: Dr. William Lo Wing Yan ceased to act as a member on 24 March 2021.

During 2021, the Nomination Committee held one meeting which dealt with, inter-alia, the following matters:

- reviewed the Board's composition;
- reviewed the independence of the INEDs; and
- reviewed and made recommendations to the Board on the election and re-election of Directors at the 2021 AGM.

### Nomination of Directors

For considering the appointment of directors, the Nomination Committee identifies individuals suitably qualified to become Board members and takes into account the Nomination of Directors Policy, including the nomination procedures and criteria for selection and the Board Diversity Policy, and makes recommendations to the Board on the selection of individuals nominated for directorship.

The Nomination Committee makes reference to criteria set out in the Nomination of Directors Policy, 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 Independent Non-executive Director 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 Independent Non-executive Directors) 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.

## 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 three 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 |
|---|---|
| INEDs as the majority | Felix Fong Wo, INED (chairman)<br>Kenneth Hsu Kin, NED (Note 1)<br>William Lo Wing Yan, INED |

Note 1: Appointed since 24 March 2021.

Note 2: Professor Caroline Wang Chia-Ling ceased to act as a member on 24 March 2021.

Note 3: Mr. Mark Lee Po On ceased to act as a member on 27 May 2021.

During 2021, 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 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 bi-annual reports from the Sustainability Steering Group of the Company on the progress on environmental, social and governance matters, and the 2021 Environmental, Social and Governance Report.

### Principal Risks

The Group is facing a number of principal risks and uncertainties that, if not properly 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.

| Risk Category | Description | Control Measures Undertaken |
|---|---|---|
| 1. Operations | Lack of collaboration in operations | • Resolved after the appointment of several senior executives in non-drama and outsourced drama production who have liaised in a more harmonised manner. |
| 2. Business/Market | Lack of creative content for TVB programmes resulting in the loss of young viewers | • Appointed new senior executives to take charge of content creation.<br>• Enriching programmes content by increased collaborations with other parties in entertainment industry.<br>• Put more focus on Greater Bay Area for future programmes (due to huge potential for growth there) and work closely with the mainland stations.<br>• Put more focus to develop young talents with positive image.<br>• Added new fresh elements to J2 channel to attract young viewers. |
| 3. Operations | Prior cost cutting measures has delayed the upgrade of TVB production techniques and equipment, not allowing it to catch up with the mainland competition | • Acquisition of new and replacement equipment re-started.<br>• Producing programmes using 4K technology on a project basis. |
| 4. Business (Brand Risk) | Need to improve TVB's brand image and TVB's audience demographics is ageing | • Proactive brand management approach was adopted to enhance TVB brand image via digital platforms.<br>• Set up a cross department promotion group.<br>• Made efforts to attract younger viewers to pay attention to TVB brand (e.g. established Stars Academy YouTube channel). |

| Risk Category | Description | Control Measures Undertaken |
|---|---|---|
| 5. Political | Threats and attacks by radical protestors against TVB during 2019 anti-government unrest. Clients and artistes are still facing harassment and threats from cyberbullying | • Urged the government to take stringent actions against cyberbullying.<br>• Reported to police the online boycott threat against clients and artistes. |
| 6. Health and Business Interruption | The fifth wave of an escalating COVID-19 outbreak in Hong Kong has seriously disrupting the Company's operations | • Continued the precautionary measures adopted since 2020.<br>• Taken new measures in 2022, including conducted COVID-19 rapid test on the staffs at work (if necessary), regularly updated staff vaccination rate to assess risk exposure, and resumed flexible work from home arrangement. |
| 7. Business/Market | Different technological offerings causing declines in viewership in terrestrial television. Viewers opt for internet and other devices offering non-linear viewing | • Launched myTV SUPER OTT service in 2016 and rolled out myTV Gold subscription services in 2019. Planned to expand myTV Gold subscription base through offering more acquired content.<br>• Launched social media platform in 2017 for online offerings and digital market, which was restructured into two divisions (Digital Content Division and e-commerce) managed by executives with professional experience. |
| 8. Business/Market | Infringing websites, apps and piracy devices have been widely available and eroded the intellectual property rights | • An in-house anti-piracy taskforce tackles different forms of piracy.<br>• Working closely with the law enforcers and taking site-blocking actions.<br>• Launched TVB Anywhere with competitive offers in oversea markets. |
| 9. Operations (Human Resources) | Inability to recruit and retain qualified staffs and lack of succession planning | • On-going efforts are made to tackle issues on succession planning. |

## 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 Company's website.

### Composition and Work Done

The Investment Committee comprises three members and its membership is set out below.

| Composition | Committee Members |
|---|---|
| Non-executive Directors and Senior Management | Anthony Lee Hsien Pin, NED (chairman)<br>Thomas Hui To, NED<br>Kitty Fung Kit Yi, CFO (Note 1) |

Note 1: Appointed since 1 January 2022.

Note 2: Mr. Mark Lee Po On ceased to act as a member on 27 May 2021.

Note 3: Mr. Adrian Mak Yau Kee ceased to act as a member on 1 January 2022.

During 2021, the Investment Committee held four meetings which dealt with, inter-alia, the following matters:

- reviewed the bond portfolio of the Company; 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.

## REGULATORY COMMITTEE

The Regulatory Committee was established on 24 March 2021 for the purpose of assisting the Board on regulatory and related matters in relation to the terrestrial TV market in Hong Kong. The terms of reference including the major roles and functions of the Regulatory Committee is set out in the Company's website.

### Composition and Work Done

The Regulatory Committee comprises three members and its membership is set out below.

| Composition | Committee Members |
|---|---|
| Non-executive Directors and Senior Management | Felix Fong Wo, INED (chairman) (Note 1)<br>William Lo Wing Yan, INED (Note 1)<br>Desmond Chan Shu Hung, Deputy General Manager (Legal and International Operations) (Note 1) |

Note 1: Appointed since 24 March 2021.

Note 2 : Mr. Mark Lee Po On ceased to act as a member on 27 May 2021.

During 2021, the Regulatory Committee held two pre-meetings in March 2021 to discuss the general directions of the committee and one meeting which dealt with, inter-alia, the following matters:

- discussed the roadmap of the Committee; and
- discussed the sustainability issue of the free TV industry.

## COMPANY SECRETARY

Biographical details of Ms. Kitty Fung Kit Yi, who assumed the position of Company Secretary of the Company on 1 January 2022, can be found on page 67 of this Annual Report under Senior Management. During 2021, Mr. Adrian Mak Yau Kee, the former Company Secretary, attended all general meeting, Board and Board Committee 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, Mr. Mak has confirmed that he had undertaken over 15 hours of training during the year ended 31 December 2021.

## 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 2021, the Risk Committee has discussed 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 96 to 98 of this CG Report.

## 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 Risk 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").

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 whistleblowing procedure. This whistleblowing 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 authorisation. All employees are also refrained from accepting personal benefits through their power and authority derived from their positions.

# ENGAGEMENT WITH SHAREHOLDERS

## 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.

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 communication 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 https://corporate.tvb.com up-to-date with press releases and announcements for easy access by shareholders.

## CORPORATE COMMUNICATION

### Disclosure of Information

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

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's website and the Company's website;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at the Company's website for reference purpose;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with Management; and

- 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 (https://corporate.tvb.com) to provide a search engine for the news and information of the Company and its subsidiaries.

There was no change to the Company's constitutional documents during 2021.

### General Meetings

Proceedings of annual general meetings and other general meetings are reviewed periodically to ensure that the Company follows the CG 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 Company'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.

### 2021 Annual General Meeting

The 2021 AGM was held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 26 May 2021 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 296,657,449 shares, representing approximately 67.7% of the total number of shares of the Company.

The matters proposed and resolved at the 2021 AGM were as follows:

- received and adopted the Audited Financial Statements and the Directors' Report and the Independent Auditor's Report for the year ended 31 December 2020;
- re-elected retiring Directors Mr. Thomas Hui To, Mr. Anthony Lee Hsien Pin, Dr. William Lo Wing Yan and Dr. Allan Zeman, and elected Mr. Kenneth Hsu Kin as Director 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 general mandate to issue additional shares by the shares repurchased pursuant to the general mandate granted; and
- extended the book close period from 30 days to 60 days.

### 2022 Annual General Meeting

The 2022 AGM has been scheduled to take place at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 25 May 2022.

At the date of this Annual Report, the coronavirus situation in Hong Kong is still developing and the situation at the time of 2022 AGM is difficult to predict.

In the event that the coronavirus situation deteriorates and requires the date and venue of the 2022 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 (https://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 2022 AGM (if any) published on the Company's website and the Exchange's website before attending the 2022 AGM.

### Shareholders' Communications 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 Company's website.

## 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 Company Secretary) at its registered address or email to companysecretary@tvb.com.hk.

On behalf of the Board

**Thomas Hui To**
*Chairman*

Hong Kong, 23 March 2022

# FINANCIALS

# FINANCIAL INFORMATION

## FIVE-YEAR FINANCIAL REVIEW

| | **2021 HK$'mil** | 2020 HK$'mil | 2019 HK$'mil | 2018 HK$'mil | 2017 HK$'mil |
|---|---|---|---|---|---|
| Revenue | **2,899** | 2,724 | 3,649 | 4,477 | 4,336 |
| (Loss)/profit before income tax | **(759)** | (345) | (297) | (124) | 358 |
| Income tax credit/(expense) | **102** | 88 | 18 | (53) | (94) |
| (Loss)/profit attributable to equity holders of the Company | **(647)** | (281) | (295) | (199) | 244 |
| (Loss)/earnings per share | **HK$(1.48)** | HK$(0.64) | HK$(0.67) | HK$(0.45) | HK$0.56 |
| Non-current | | | | | |
| Property, plant and equipment | **1,397** | 1,611 | 1,854 | 1,860 | 1,929 |
| Investment properties | **6** | 8 | 29 | 29 | 31 |
| Intangible assets | **285** | 220 | 192 | 140 | 86 |
| Goodwill | **85** | – | – | – | – |
| Interests in joint ventures | **928** | 825 | 708 | 707 | 769 |
| Interests in associates | **178** | 172 | 162 | 162 | 169 |
| Financial assets at fair value through other comprehensive income/ available-for-sale financial assets | **17** | 12 | 40 | 40 | 47 |
| Bond securities at amortised cost/ held-to-maturity financial assets | **205** | 441 | 1,250 | 2,241 | 712 |
| Financial assets at fair value through profit or loss | **17** | – | – | 330 | – |
| Other non-current assets | **333** | 175 | 59 | 101 | 120 |
| Current assets | **4,199** | 6,368 | 4,301 | 4,646 | 8,153 |
| Current liabilities | **(2,956)** | (2,534) | (1,036) | (791) | (887) |
| | **4,694** | 7,298 | 7,559 | 9,465 | 11,129 |
| Share capital | **664** | 664 | 664 | 664 | 664 |
| Reserves | **3,695** | 4,462 | 4,788 | 5,519 | 6,331 |
| Shareholders' funds | **4,359** | 5,126 | 5,452 | 6,183 | 6,995 |
| Non-controlling interests | **234** | 172 | 137 | 124 | 162 |
| Non-current liabilities | **101** | 2,000 | 1,970 | 3,158 | 3,972 |
| | **4,694** | 7,298 | 7,559 | 9,465 | 11,129 |

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

**To the Members of Television Broadcasts Limited**

(incorporated in Hong Kong with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Television Broadcasts Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 111 to 196, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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 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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

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 27 to the consolidated financial statements* | Our audit procedures in relation to the programme costs and film rights included: |
| The programme costs and film rights recognised as an expense for the year ended 31 December 2021 was HK$1,498 million, representing the amortisation charges in respect of the programme costs 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:<br>• 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.<br>• 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. | • 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.<br>• 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.<br>• We evaluated the Group's assessment as to whether the existing allocation and amortisation were in line with the economic benefit and consumption pattern 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.<br>• 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 allocation and amortisation for a sample of programmes and film rights.<br>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. We have nothing to report in this regard.

## 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 judgment 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, actions taken to eliminate threats or safeguards applied.
- 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.

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

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 23 March 2022

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **1,396,753** | 1,610,955 |
| Investment properties | 7 | **5,710** | 8,447 |
| Intangible assets | 8 | **284,874** | 219,608 |
| Goodwill | 8 | **85,131** | – |
| Interests in joint ventures | 9 | **928,154** | 824,706 |
| Interests in associates | 10 | **177,963** | 171,868 |
| Financial assets at fair value through other comprehensive income | 11 | **17,052** | 12,052 |
| Bond securities at amortised cost | 12 | **205,270** | 440,895 |
| Financial assets at fair value through profit or loss | 13 | **17,259** | – |
| Deferred income tax assets | 25 | **283,917** | 144,169 |
| Prepayments | 16 | **48,798** | 31,360 |
| Total non-current assets | | **3,450,881** | 3,464,060 |
| **Current assets** | | | |
| Programmes and film rights | | **1,326,003** | 1,267,064 |
| Stocks | 14 | **83,605** | 27,187 |
| Trade receivables | 15 | **1,001,696** | 1,095,596 |
| Other receivables, prepayments and deposits | 16 | **556,013** | 551,161 |
| Movie investments | 17 | **18,152** | 19,454 |
| Tax recoverable | | **7,752** | 2,214 |
| Bond securities at amortised cost | 12 | **28,434** | 69,661 |
| Bank deposits maturing after three months | 18 | **2,536** | 1,997,763 |
| Cash and cash equivalents | 18 | **1,174,718** | 1,337,635 |
| Total current assets | | **4,198,909** | 6,367,735 |
| **Total assets** | | **7,649,790** | 9,831,795 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 19 | **664,044** | 664,044 |
| Other reserves | 20 | **47,872** | 175,644 |
| Retained earnings | | **3,647,038** | 4,286,413 |
| | | **4,358,954** | 5,126,101 |
| **Non-controlling interests** | | **234,206** | 171,914 |
| **Total equity** | | **4,593,160** | 5,298,015 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 23 | **15,934** | 1,934,958 |
| Lease liabilities | 24 | **18,038** | 9,505 |
| Deferred income tax liabilities | 25 | **66,801** | 55,436 |
| **Total non-current liabilities** | | **100,773** | 1,999,899 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables and accruals | 21 | **768,198** | 624,392 |
| Written put option liabilities | 22 | **140,000** | – |
| Current income tax liabilities | | **22,927** | 61,524 |
| Borrowings | 23 | **1,992,687** | 1,817,689 |
| Lease liabilities | 24 | **32,045** | 30,276 |
| Total current liabilities | | **2,955,857** | 2,533,881 |
| **Total liabilities** | | **3,056,630** | 4,533,780 |
| **Total equity and liabilities** | | **7,649,790** | 9,831,795 |

The consolidated financial statements on pages 111 to 196 were approved by the Board of Directors on 23 March 2022 and were signed on its behalf.

| | |
|---|---|
| **Thomas Hui To** | **Li Ruigang** |
| Director | Director |

The notes on pages 118 to 196 are an integral part of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **2,898,622** | 2,724,200 |
| Cost of sales | | **(2,176,788)** | (1,876,968) |
| **Gross profit** | | **721,834** | 847,232 |
| Other revenues | 5 | **14,183** | 223,399 |
| Interest income | 5 | **153,204** | 160,585 |
| Selling, distribution and transmission costs | | **(640,456)** | (591,017) |
| General and administrative expenses | | **(889,979)** | (784,871) |
| Other gains, net | 31 | **73,471** | 23,785 |
| (Loss)/gain on disposal of other financial assets at amortised cost | 12 | **(3,450)** | 22,097 |
| Impairment loss on other financial assets at amortised cost | 12 | **(77,000)** | (118,000) |
| Impairment loss on trade and other receivables | 15 | **(6,081)** | (13,146) |
| Finance costs | 32 | **(106,372)** | (100,849) |
| Share of profits of joint ventures | 9 | **290** | 779 |
| Impairment loss on receivables from a joint venture | 9 | **–** | (13,500) |
| Share of profits/(losses) of associates | 10 | **1,621** | (1,180) |
| **Loss before income tax** | 27 | **(758,735)** | (344,686) |
| Income tax credit | 33 | **101,639** | 87,578 |
| **Loss for the year** | | **(657,096)** | (257,108) |
| **(Loss)/profit attributable to:** | | | |
| Equity holders of the Company | | **(646,735)** | (280,881) |
| Non-controlling interests | | **(10,361)** | 23,773 |
| | | **(657,096)** | (257,108) |
| **Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the year** | 34 | **HK$(1.48)** | HK$(0.64) |

The notes on pages 118 to 196 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Loss for the year** | **(657,096)** | (257,108) |
| Other comprehensive income: | | |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | | |
| – Subsidiaries | **25,293** | 33,027 |
| – Joint ventures | **(1,210)** | 958 |
| Share of other comprehensive income of an associate | **4,474** | 11,039 |
| Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries | **(1,347)** | – |
| **Other comprehensive income for the year, net of tax** | **27,210** | 45,024 |
| **Total comprehensive loss for the year** | **(629,886)** | (212,084) |
| Total comprehensive (loss)/income attributable to: | | |
| Equity holders of the Company | **(624,641)** | (246,942) |
| Non-controlling interests | **(5,245)** | 34,858 |
| **Total comprehensive loss for the year** | **(629,886)** | (212,084) |

The notes on pages 118 to 196 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Note | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | 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 1 January 2020 | | 664,044 | 132,908 | 4,654,654 | 5,451,606 | 137,056 | 5,588,662 |
| Comprehensive income/(loss): | | | | | | | |
| Loss for the year | | – | – | (280,881) | (280,881) | 23,773 | (257,108) |
| Other comprehensive income/(loss): | | | | | | | |
| Exchange differences on translation of foreign operations | | | | | | | |
| – Subsidiaries | | – | 21,942 | – | 21,942 | 11,085 | 33,027 |
| – Joint ventures | | – | 958 | – | 958 | – | 958 |
| Share of other comprehensive income of an associate | | – | 11,039 | – | 11,039 | – | 11,039 |
| Total comprehensive loss, net of tax | | – | 33,939 | (280,881) | (246,942) | 34,858 | (212,084) |
| Transactions with owners: | | | | | | | |
| Share-based payments | 20 | – | 6,425 | 2,612 | 9,037 | – | 9,037 |
| Transferred to legal reserve | 20 | – | 2,372 | (2,372) | – | – | – |
| 2019 final dividends paid | | – | – | (87,600) | (87,600) | – | (87,600) |
| Total transactions with owners | | – | 8,797 | (87,360) | (78,563) | – | (78,563) |
| Balance at 31 December 2020 | | 664,044 | 175,644 | 4,286,413 | 5,126,101 | 171,914 | 5,298,015 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | 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 1 January 2021 | | 664,044 | 175,644 | 4,286,413 | 5,126,101 | 171,914 | 5,298,015 |
| Comprehensive income/(loss): | | | | | | | |
| Loss for the year | | – | – | (646,735) | (646,735) | (10,361) | (657,096) |
| Other comprehensive income/(loss): | | | | | | | |
| Exchange differences on translation of foreign operations | | | | | | | |
| – Subsidiaries | | – | 20,177 | – | 20,177 | 5,116 | 25,293 |
| – Joint ventures | | – | (1,210) | – | (1,210) | – | (1,210) |
| Share of other comprehensive income of an associate | | – | 4,474 | – | 4,474 | – | 4,474 |
| Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries | | – | (1,347) | – | (1,347) | – | (1,347) |
| Total comprehensive loss, net of tax | | – | 22,094 | (646,735) | (624,641) | (5,245) | (629,886) |
| Transactions with owners: | | | | | | | |
| Share-based payments | 20 | – | (16,735) | 14,229 | (2,506) | – | (2,506) |
| Transferred to legal reserve | 20 | – | 6,869 | (6,869) | – | – | – |
| Written put options | 22 | – | (140,000) | – | (140,000) | – | (140,000) |
| Non-controlling interests on acquisition of subsidiaries | 39 | – | – | – | – | 67,537 | 67,537 |
| Total transactions with owners | | – | (149,866) | 7,360 | (142,506) | 67,537 | (74,969) |
| **Balance at 31 December 2021** | | **664,044** | **47,872** | **3,647,038** | **4,358,954** | **234,206** | **4,593,160** |

The notes on pages 118 to 196 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 36(a) | **(222,697)** | 34,136 |
| Hong Kong tax paid | | **(42,989)** | (8,417) |
| Overseas tax paid | | **(36,600)** | (1,022) |
| Overseas tax refunded | | **–** | 6,090 |
| Net cash (used in)/generated from operating activities | | **(302,286)** | 30,787 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and investment properties | | **(93,551)** | (97,524) |
| Additions of intangible assets | | **(87,828)** | (72,105) |
| Acquisition of subsidiaries | 36(b)/39(b) | **(10,805)** | – |
| Proceeds from disposal/redemption of bond securities at amortised cost | | **198,269** | 761,830 |
| Investment in a joint venture | | **–** | (150) |
| Investment in financial assets at fair value through other comprehensive income | | **(5,000)** | – |
| Return of investment cost by a joint venture | | **200** | – |
| Repayment of fund advance by a joint venture | | **2,369** | – |
| Decrease/(increase) in bank deposits maturing after three months | | **1,995,227** | (1,918,626) |
| Net proceeds from disposal of properties | | **–** | 63,224 |
| Proceeds from disposal of property, plant and equipment | | **546** | 686 |
| Return of investment costs in financial assets at fair value through other comprehensive income | | **–** | 27,723 |
| Decrease in movie investments | | **1,302** | 14,437 |
| Interest received | | **72,845** | 65,106 |
| Net cash generated from/(used in) investing activities | | **2,073,574** | (1,155,399) |
| **Cash flows from financing activities** | | | |
| Capital contribution from non-controlling interests of a subsidiary | | **35,000** | – |
| Redemption/purchase of TVB Notes | | **(1,830,994)** | (45,411) |
| Proceeds from bank loans | | **–** | 1,934,958 |
| Repayment of bank loans | | **–** | (342,716) |
| Interest paid | | **(115,060)** | (91,630) |
| Principal elements of lease payments | | **(38,866)** | (37,494) |
| Dividends paid to equity holders of the Company | | **–** | (87,600) |
| Net cash (used in)/generated from financing activities | | **(1,949,920)** | 1,330,107 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(178,632)** | 205,495 |
| Cash and cash equivalents at 1 January | | **1,337,635** | 1,105,611 |
| Effect of foreign exchange rate changes | | **15,715** | 26,529 |
| **Cash and cash equivalents at 31 December** | | **1,174,718** | 1,337,635 |
| **Analysis of cash and cash equivalents:** | | | |
| Short-term bank deposits maturing within three months | | **356,353** | 703,089 |
| Cash at bank and on hand | | **818,365** | 634,546 |
| | | **1,174,718** | 1,337,635 |

The notes on pages 118 to 196 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 44.

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 23 March 2022.

## 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 2.9.

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.

During the year ended 31 December 2021, the Group incurred a loss for the year of HK$657 million (2020: HK$257 million) and a net cash used in operating activities of HK$302 million (2020: net cash generated from operating activities of HK$31 million).

As at 31 December 2021, there was non-compliance with a bank covenant under a loan agreement with a bank in relation to the ratio of consolidated net debt to consolidated EBITDA ("EBITDA covenant") in the financial year 2021. Subsequent to 31 December 2021, the Group has successfully obtained written waiver from the bank to waive the EBITDA covenant for the year ended 31 December 2021 and the year ending 31 December 2022 and not to exercise their rights to demand immediate repayment of the loan during the aforesaid period (further detailed in note 23). Based on cashflow projections for a period of not less than 12 months after 31 December 2021, the Directors consider that the Group will have adequate funds available to enable it to operate its business for the foreseeable future and consider it appropriate to prepare the consolidated financial statements on a going concern basis.

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

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards, other than the early adoption of the amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

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

### 2.1 Basis of preparation (continued)

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 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 to the former owners of the acquired business 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, with limited exceptions, 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 2.7(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.

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

### 2.2 Consolidation (continued)

#### (a) Subsidiaries (continued)

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 2.8). 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.

#### (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.

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

## 2.2 Consolidation (continued)

### (c) Associates (continued)

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 2.8). The results of the associates are accounted for by the Company on the basis of dividends received and receivable.

### (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.

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

### 2.2 Consolidation (continued)

#### (e) Joint arrangements (continued)

In the Company's statement of financial position, the interests in joint ventures are stated at cost less provision for impairment losses (Note 2.8). 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).

### 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.

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

### 2.4 Foreign currency translation (continued)

#### (c) Group companies (continued)

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.

#### (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

Property, plant and equipment, comprising freehold land and buildings, leasehold land and land use rights, 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. Depreciation on 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:

| | |
|---|---|
| Buildings | 2.27% – 5% |
| Leasehold land/land use rights | 2.22% – 2.7% |
| Leasehold improvements | Shorter of remaining lease term or useful life |
| Studio, broadcasting and transmitting equipment | 10% – 20% |
| Furniture, fixtures and equipment | 5% – 50% |
| 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 2.8).

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)

### 2.6 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 2.8). 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 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. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and interests in joint ventures, respectively. Goodwill is tested annually, or more frequently if events or changes in circumstances indicate that it might be impaired, 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.

#### (b) Tradenames

Tradenames acquired in a business combination are recognised at fair value at the acquisition date. The fair value is based on the discounted estimated royalty payments that are expected to be avoided as a result of the tradenames being owned. They have an estimated useful lives of 5 years and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

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

### 2.7 Intangible assets (continued)

#### (c) 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.

### 2.8 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)

### 2.9 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.

#### (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.

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

### 2.9 Financial assets (continued)

#### (c) Measurement (continued)

Debt investments (continued)

- 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 in the period in which it arises.

  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 their fair value at least at the end of each reporting period.

  Movie investments are measured at their fair values with reference to the expected future net income arising from distribution and licensing of the movies.

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

### 2.10 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.

ECL is the weighted average credit losses with the probability of default as the weight. 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. 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. The debt instruments carried at amortised cost classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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. See Notes 3.1(b) and 15 for further details. Trade receivables have been grouped based on shared credit risk characteristics and the invoice date. 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 under stage 1, unless when there has been a significant increase in credit risk since initial recognition or a financial asset is credit impaired, the Group recognises lifetime ECL under stage 2 or 3. 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.

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

### 2.10 Impairment of financial assets (continued)

#### (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.

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

The Group considers the following as constituting an event of default for internal credit risk management purpose as historical experience indicates that the Company may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(a) 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); or

(b) There is a breach of financial covenants by the counterparty.

#### (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.

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

### 2.10 Impairment of financial assets (continued)

#### (iii) Credit-impaired financial assets (continued)

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

#### (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 Group. 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.

### 2.11 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 economic benefits generated from domestic terrestrial TV/OTT markets, and the co-production of drama with the sale of exclusive programme exploitation right in defined geographical areas to co-producers. The Group expenses co-production costs based on 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)

### 2.12 Stocks

Stocks, comprising e-Commerce inventories, decoders, tapes, computer hard discs, OTT set-top boxes and consumable supplies, are stated at the lower of cost and net realisable value. The cost of 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.

### 2.13 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.

### 2.14 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.

### 2.15 Share capital

Ordinary shares are classified as equity.

### 2.16 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.

### 2.17 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.

### 2.18 Written put option liabilities

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognised at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

A written put option liability is subsequently re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. In the event that the option expires unexercised, the written put option liability is derecognised with a corresponding adjustment to equity.

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

### 2.19 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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)

### 2.20 Share-based payments

Share-based compensation benefits are provided to employees via share option schemes of the Company and Big Big e-Commerce Group Limited ("BBECGL").

#### 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 hold 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/BBECGL to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

### 2.21 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)

### 2.21 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.

### 2.22 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 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.

### 2.24 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)

### 2.24 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. 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.

### 2.25 Dividend and interest income

Dividend income received from financial assets at FVOCI is recognised as other revenues in the 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 except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the other revenue over the period necessary to match them with the costs that they are intended to compensate.

### 2.27 Leases

Leases are recognised as a right-of-use asset. Right-of-use asset are included within the same line item as that within which the corresponding underlying assets would be presented if they were owned and a corresponding liability at the date at which the leased asset is available for use by the Group.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date

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

### 2.27 Leases (continued)

- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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

### 2.27 Leases (continued)

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 (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

| | |
|---|---|
| Office premises | 3 years |
| Warehouse | 2 years |

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 without a purchase option. Low-value assets comprise small items of equipment.

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying Covid-19-related rent concessions. Rent concessions totalling HK$966,000 have been accounted for as negative variable lease payments and recognized in the consolidated income statement for the year ended 31 December 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2021.

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.

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

### 2.28 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.

### 2.29 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.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| 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 | **3%** | **7,202** | 7% | 12,210 |
| | **(3%)** | **(7,202)** | (7%) | (12,210) |

## 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 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 2021 and 2020 has been conducted on bank deposits and long-term bank borrowings 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 increased/decreased by HK$17,136,000 (2020: increased/decreased by HK$12,608,743) in respect of bank deposits and bank borrowings.

#### (b) Credit risk

The Group's credit risk is primarily attributable to its financial assets at amortised cost (including trade and other receivables, bond securities at amortised cost and receivables from a joint venture), financial assets at FVPL, bank balances and financial guarantee contracts. The Group has implemented policies to assess the credit worthiness of the counterparties (including customers and investees), 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 receivables from a joint venture and trade receivables were determined and disclosed in Notes 9 and 15 respectively. 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 costs and for the exposure arising from financial guarantee contracts, the scenario analysis of discounted cash flow model and 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)

For the financial assets at amortised cost considered as credit-impaired as a result of default events as at 31 December 2020 and 2021, a lifetime ECL loss allowance has been assessed. For other bond securities not credit-impaired, the Group would measure the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises a lifetime ECL.

No significant changes to estimation techniques or assumptions were made during the year.

The loss allowance for financial assets at amortised cost as at 31 December and it reconciles to the opening loss allowance as follows:

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Simplified approach HK$'000 | Total HK$'000 |
| At 1 January 2020: | – | – | 294,125 | 51,750 | 345,875 |
| Increase in the allowance recognised in profit or loss during the year | 15,500 | 3,000 | 113,000 | 13,146 | 144,646 |
| Write-off | – | – | – | (3,656) | (3,656) |
| Exchange differences | – | – | – | 230 | 230 |
| At 31 December 2020 and 1 January 2021: | 15,500 | 3,000 | 407,125 | 61,470 | 487,095 |
| Increase in the allowance recognised in profit or loss during the year | – | – | 80,000 | 6,081 | 86,081 |
| Transferred to lifetime expected credit losses | (400) | 400 | – | – | – |
| Decrease in the allowance recognised in profit or loss during the year | – | (3,000) | – | – | (3,000) |
| Write-off | – | – | – | (19,485) | (19,485) |
| Exchange differences | – | – | – | 193 | 193 |
| **At 31 December 2021** | **15,100** | **400** | **487,125** | **48,259** | **550,884** |

As at 31 December 2021, except for provision for loss allowance for receivables from a joint venture of HK$13,500,000 (2020: HK$13,500,000) under Stage 1 of ECL model and provision for impairment loss on receivables from trade debtors of HK$48,259,000 (2020: HK$61,470,000) under simplified approach of ECL model, the other loss allowance listed above was in relation to bond securities at amortised cost.

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets at amortised costs as at 31 December 2021 and 2020.

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 HK$'000 | Stage 2 HK$'000 | Stage 3 HK$'000 | Simplified approach HK$'000 | Total HK$'000 |
| **As at 31 December 2021:** | | | | | |
| Receivables from a joint venture | **940,795** | **–** | **–** | **–** | **940,795** |
| Bond securities at amortised cost | **147,704** | **23,433** | **551,692** | **–** | **722,829** |
| Trade receivables | **–** | **–** | **–** | **1,049,955** | **1,049,955** |
| Financial assets included in other receivables, prepayments and deposits | **604,811** | **–** | **–** | **–** | **604,811** |
| Bank and cash balances | **1,177,254** | **–** | **–** | **–** | **1,177,254** |
| | **2,870,564** | **23,433** | **551,692** | **1,049,955** | **4,495,644** |
| As at 31 December 2020: | | | | | |
| Receivables from a joint venture | 835,068 | – | – | – | 835,068 |
| Bond securities at amortised cost | 294,839 | 77,157 | 550,685 | – | 922,681 |
| Trade receivables | – | – | – | 1,157,066 | 1,157,066 |
| Financial assets included in other receivables, prepayments and deposits | 582,521 | – | – | – | 582,521 |
| Bank and cash balances | 3,335,398 | – | – | – | 3,335,398 |
| | 5,047,826 | 77,157 | 550,685 | 1,157,066 | 6,832,734 |

During the year ended 31 December 2021, HK$23,433,000 of financial assets, which was measured under stage 1 ECL model in prior year, was measured under stage 2 ECL model due to the change in credit risk (2020: Nil).

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 the details to Note 13.

## 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).

| | **2021** | | | | 2020 | | |
|---|---|---|---|---|---|---|---|
| | **Borrowings HK$'000** | **Written put options liabilities HK$'000** | **Trade and other payables and accruals HK$'000** | **Lease liabilities HK$'000** | Borrowings HK$'000 | Trade and other payables and accruals HK$'000 | Lease liabilities HK$'000 |
| Within 1 year | **2,043,287** | **140,000** | **481,195** | **32,045** | 1,921,211 | 396,625 | 30,276 |
| Between 1 and 2 years | **1,594** | **–** | **–** | **12,216** | 46,492 | – | 9,505 |
| Between 2 and 5 years | **17,327** | **–** | **–** | **5,822** | 1,962,008 | – | – |
| | **2,062,208** | **140,000** | **481,195** | **50,083** | 3,929,711 | 396,625 | 39,781 |

### 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 and bank deposits maturing after three months. 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 2021 and 2020 was as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Net debt (Note 36(c)) | **881,450** | 457,030 |
| Total equity | **4,593,160** | 5,298,015 |
| Gearing ratio<br>– Net debt to total equity ratio | **19.2%** | 8.6% |

### 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 2021 and 2020, 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 13.

The Group's policy is to recognise transfers 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, bond securities at amortised cost and receivables from a joint venture) 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, receivables from a joint venture and trade receivables are disclosed in Notes 3.1(b), 9, 12 and 15 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 condition 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, number of planned transmissions or duration of the license period, whichever is more relevant and prevailing. 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) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of cash-generating units was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 8. Details of key assumptions and impact of possible changes in key assumptions are disclosed in note 8.

## 5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION

Revenue comprises income from advertisers net of agency deductions, licensing income, subscription income, e-Commerce income, co-production income, as well as other income from digital marketing and event income, music entertainment income, management fee income, facility rental income and other service fee income.

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Revenue | | |
| Income from advertisers, net of agency deductions | **1,200,886** | 1,076,158 |
| Licensing income | **560,193** | 699,491 |
| Subscription income | **416,058** | 384,233 |
| e-Commerce income | **239,835** | 32,171 |
| Co-production income | **194,709** | 320,925 |
| Others | **286,941** | 211,222 |
| | **2,898,622** | 2,724,200 |
| Interest income | **153,204** | 160,585 |
| Other revenues | | |
| Government subsidies from Employment Support Scheme (note) | **–** | 202,385 |
| Others | **14,183** | 21,014 |
| | **14,183** | 223,399 |
| | **3,066,009** | 3,108,184 |

Note:

During the year ended 31 December 2020, the HKSAR Government has launched the "Employment Support Scheme" to provide time limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

## 5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

The Group is principally engaged in terrestrial television broadcasting with programme production, OTT Streaming, e-Commerce business, Mainland China operations and international operations, and other activities.

For management purposes and in a manner consistent with the way in which information is reported internally to the Group's Senior Management and Board of Directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on these core businesses. During the year, the Group has determined to separate out "e-Commerce business" from "Big Big Channel and e-Commerce business" and "Mainland China operations" partly from "Hong Kong TV broadcasting" and partly from "Programme licensing and distribution". In view of similar geographical business nature, the remaining portion of "e-Commerce business" was merged into "Hong Kong TV broadcasting" whilst the remaining portion of "Programme licensing and distribution" and "Overseas pay TV and TVB Anywhere" were combined into "International operations". In addition, the Group has renamed the segments "myTV SUPER" to "OTT Streaming". The directors of the Company consider that the changes in the reportable segments would be useful to users of the consolidated financial statements. As such, the comparative figures have been adjusted to conform with the reclassification.

The Group has following reportable segments:

(a) Hong Kong TV broadcasting – broadcasting of television programmes, commercials on terrestrial TV platforms, production of programmes, online social media platform, music entertainment, event and digital marketing

(b) OTT Streaming – operation of myTV SUPER OTT service and website portals

(c) e-Commerce business – operation of three e-Commerce platforms, namely Ztore, Neigbuy and Big Big Shop

(d) Mainland China operations – co-produced dramas, distribution of television programmes and channels to telecast, video and new media operators in Mainland China

(e) International operations – distribution of television programmes and channels to telecast, video and new media operators and provision of pay television and OTT services to subscribers in Malaysia, Singapore and other countries of the world targeting Chinese and other Asian audiences

The segments are managed separately according to the nature of products and services provided. Segment performance is evaluated based on a measure of adjusted earnings before interest income, finance costs, income tax, depreciation and amortisation, gain on disposal of properties, impairment loss on receivables from a joint venture, impairment loss net of gain/loss on disposal of other financial assets at amortised cost, share of profits/losses of joint ventures and associates (EBITDA, see below) to assess the performance of the operating segments which in certain respects, as explained in the table below, is measured differently from the results before income tax in the consolidated financial statements.

## 5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

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.

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

| | Hong Kong TV broadcasting | | OTT Streaming | | e-Commerce business | | Mainland China operations | | International operations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **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 | **12,466** | 10,065 | **4,223** | 4,502 | **237,916** | 28,761 | **161,346** | 287,958 | **13,348** | 9,763 | **429,299** | 341,049 |
| Over time | **1,212,056** | 1,071,053 | **363,063** | 407,905 | **151** | 497 | **504,163** | 454,256 | **389,890** | 449,440 | **2,469,323** | 2,383,151 |
| **External customers** | **1,224,522** | 1,081,118 | **367,286** | 412,407 | **238,067** | 29,258 | **665,509** | 742,214 | **403,238** | 459,203 | **2,898,622** | 2,724,200 |
| **Reportable segment EBITDA** | **(570,447)** | (548,476) | **36,801** | 107,847 | **(92,884)** | (4,157) | **189,425** | 263,477 | **123,484** | 255,537 | **(313,621)** | 74,228 |
| **Additions to non-current assets*** | **135,696** | 66,043 | **37,183** | 24,143 | **149,626** | – | **5,879** | 2,360 | **1,414** | 5,819 | **329,798** | 98,365 |

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

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Reportable segment EBITDA | **(313,621)** | 74,228 |
| Depreciation and amortisation | **(413,407)** | (395,777) |
| Finance costs | **(106,372)** | (100,849) |
| Interest income | **52,712** | 71,333 |
| Interest income from joint ventures | **100,492** | 89,252 |
| Gain on disposal of properties | **–** | 26,931 |
| Impairment loss on receivables from a joint venture | **–** | (13,500) |
| Impairment loss net of gain/loss on disposal of other financial assets at amortised cost | **(80,450)** | (95,903) |
| Share of profits of joint ventures | **290** | 779 |
| Share of profits/(losses) of associates | **1,621** | (1,180) |
| Loss before income tax | **(758,735)** | (344,686) |

## 5 REVENUE, INTEREST INCOME, OTHER REVENUES AND SEGMENT INFORMATION (continued)

For the year ended 31 December 2021, revenue generated from a single customer of the Group from the segment of Mainland China operations amounting to approximately HK$314,332,000 (2020: HK$463,265,000) in aggregate has accounted for over 10% of the total revenue.

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Hong Kong | **1,821,850** | 1,513,231 |
| Mainland China | **672,352** | 802,636 |
| Malaysia and Singapore | **170,971** | 191,200 |
| USA and Canada | **118,289** | 112,891 |
| Vietnam | **30,795** | 30,707 |
| Australia | **15,678** | 9,303 |
| Europe | **4,672** | 4,051 |
| Other territories | **64,015** | 60,181 |
| | **2,898,622** | 2,724,200 |

An analysis of the Group's non-current assets, other than financial instruments, goodwill and deferred income tax assets, by geographical location is as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Hong Kong | **1,840,539** | 1,963,426 |
| USA and Canada | **938,961** | 834,487 |
| Mainland China | **59,851** | 65,118 |
| Taiwan | **2,517** | 3,368 |
| Other territories | **384** | 545 |
| | **2,842,252** | 2,866,944 |

## 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 2020 | 1,326,506 | 63,944 | 2,774,734 | 1,689,400 | 48,906 | 5,903,490 |
| Exchange differences | 3,998 | 111 | (286) | 604 | – | 4,427 |
| Additions | 2,346 | 536 | 60,207 | 58,312 | 681 | 122,082 |
| Transferred to investment properties | (4,001) | – | – | – | – | (4,001) |
| Disposals | (17,793) | (1,005) | (28,315) | (10,674) | (289) | (58,076) |
| At 31 December 2020 | 1,311,056 | 63,586 | 2,806,340 | 1,737,642 | 49,298 | 5,967,922 |
| At 1 January 2021 | 1,311,056 | 63,586 | 2,806,340 | 1,737,642 | 49,298 | 5,967,922 |
| Exchange differences | 1,900 | 122 | 399 | 336 | – | 2,757 |
| Acquisition of subsidiaries (Note 39(a)) | 15,178 | 177 | – | 4,833 | – | 20,188 |
| Additions | 11,325 | 2,776 | 33,837 | 39,952 | 2,937 | 90,827 |
| Lease modification | 20,289 | – | – | – | – | 20,289 |
| Transferred from investment properties | 4,192 | – | – | – | – | 4,192 |
| Disposals | (19,596) | (26) | (107,421) | (6,885) | (2,267) | (136,195) |
| **At 31 December 2021** | **1,344,344** | **66,635** | **2,733,155** | **1,775,878** | **49,968** | **5,969,980** |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 January 2020 | 750,821 | 58,436 | 2,159,804 | 1,034,811 | 45,690 | 4,049,562 |
| Exchange differences | 1,887 | 92 | (285) | 378 | – | 2,072 |
| Charge for the year (Note 27) | 49,990 | 3,003 | 154,396 | 141,330 | 2,124 | 350,843 |
| Transferred to investment properties | (1,811) | – | – | – | – | (1,811) |
| Written back on disposals | (4,043) | (770) | (28,054) | (10,543) | (289) | (43,699) |
| At 31 December 2020 | 796,844 | 60,761 | 2,285,861 | 1,165,976 | 47,525 | 4,356,967 |
| At 1 January 2021 | 796,844 | 60,761 | 2,285,861 | 1,165,976 | 47,525 | 4,356,967 |
| Exchange differences | 940 | 117 | 383 | 244 | – | 1,684 |
| Charge for the year (Note 27) | 52,454 | 2,279 | 145,895 | 144,055 | 1,429 | 346,112 |
| Transferred from investment properties | 1,954 | – | – | – | – | 1,954 |
| Written back on disposals | (18,295) | (26) | (106,708) | (6,490) | (1,971) | (133,490) |
| **At 31 December 2021** | **833,897** | **63,131** | **2,325,431** | **1,303,785** | **46,983** | **4,573,227** |
| **Net book value** | | | | | | |
| **At 31 December 2021** | **510,447** | **3,504** | **407,724** | **472,093** | **2,985** | **1,396,753** |
| At 31 December 2020 | 514,212 | 2,825 | 520,479 | 571,666 | 1,773 | 1,610,955 |

## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) Leases

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

(i) Amounts recognised in the property, plant and equipment relating to leases

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Properties | **42,961** | 29,677 |
| Equipment | **8,290** | 10,889 |
| Leasehold land and land use right | **157,757** | 164,723 |
| | **209,008** | 205,289 |

Additions to the right-of-use assets during the year were HK$29,934,000 (2020: HK$4,634,000).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Properties | **32,252** | 29,918 |
| Equipment | **6,031** | 5,457 |
| Leasehold land and land use right | **7,708** | 7,525 |
| | **45,991** | 42,900 |
| Interest expenses (included in finance cost) | **1,601** | 1,872 |
| Expense relating to short-term leases (included in general and administrative expenses) | **15,660** | 16,267 |
| Expense relating to low-value assets that are not shown above as short-term leases (included in general and administrative expenses) | **14** | 17 |

The total cash outflow for leases during the year was HK$40,467,000 (2020: HK$39,366,000).

(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.

Overview

Management Discussion and Analysis

Governance

Financials

## 7 INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| **Cost** | |
| At 1 January 2020 | 40,384 |
| Transferred from property, plant and equipment | 4,001 |
| Disposals | (29,420) |
| Exchange differences | 936 |
| At 31 December 2020 | 15,901 |
| At 1 January 2021 | 15,901 |
| Transferred to property, plant and equipment | (4,192) |
| Exchange differences | 361 |
| **At 31 December 2021** | **12,070** |
| **Accumulated depreciation** | |
| At 1 January 2020 | 11,403 |
| Charge for the year (Note 27) | 674 |
| Transferred from property, plant and equipment | 1,811 |
| Written back on disposals | (6,877) |
| Exchange differences | 443 |
| At 31 December 2020 | 7,454 |
| At 1 January 2021 | 7,454 |
| Charge for the year (Note 27) | 682 |
| Transferred to property, plant and equipment | (1,954) |
| Exchange differences | 178 |
| **At 31 December 2021** | **6,360** |
| **Net book value** | |
| **At 31 December 2021** | **5,710** |
| At 31 December 2020 | 8,447 |
| **Fair values (note)** | |
| **At 31 December 2021** | **11,454** |
| At 31 December 2020 | 14,060 |

Note:

The Group's investment properties were valued at 31 December 2021 and 2020 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 2021 and 2020, the fair value measurement of the investment properties is included in level 3.

## 8 GOODWILL AND INTANGIBLE ASSETS

| | Goodwill HK$'000 | Tradenames HK$'000 | Software development cost HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| Opening net book amount | – | – | 191,616 | 191,616 |
| Additions | – | – | 72,105 | 72,105 |
| Amortisation charge (Note 27) | – | – | (44,260) | (44,260) |
| Exchange differences | | – | 147 | 147 |
| Closing net book amount | – | – | 219,608 | 219,608 |
| At 31 December 2020 | | | | |
| Cost | – | – | 307,728 | 307,728 |
| Accumulated amortisation | – | – | (88,120) | (88,120) |
| Net book amount | – | – | 219,608 | 219,608 |
| **Year ended 31 December 2021** | | | | |
| Opening net book amount | **–** | **–** | **219,608** | **219,608** |
| Acquisition of subsidiaries (Note 39(a)) | **85,131** | **44,000** | **2** | **129,133** |
| Additions | **–** | **–** | **87,828** | **87,828** |
| Amortisation charge (Note 27) | **–** | **(3,257)** | **(63,356)** | **(66,613)** |
| Exchange differences | **–** | **–** | **49** | **49** |
| **Closing net book amount** | **85,131** | **40,743** | **244,131** | **370,005** |
| **At 31 December 2021** | | | | |
| Cost | **85,131** | **44,000** | **394,815** | **523,946** |
| Accumulated amortisation and impairment | **–** | **(3,257)** | **(150,684)** | **(153,941)** |
| **Net book amount** | **85,131** | **40,743** | **244,131** | **370,005** |

Goodwill and tradenames that arose on the acquisition of subsidiaries (the "e-Commerce CGU") are allocated to and monitored by management at e-Commerce business segment, which comprises groups of CGUs that are expected to benefit from synergies of combination with the acquired businesses.

The recoverable amount of e-Commerce CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flow beyond the five-year period is extrapolated using the estimated terminal growth rates of 2.4%. The discount rate applied to the cash flow projection is 25.6%.

## 8 GOODWILL AND INTANGIBLE ASSETS (continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | | |
|---|---|---|
| Budgeted profit | – | The basis used to determine the value assigned to the budgeted profit is the average profit achieved in the markets, adjusted for expected efficiency improvement, and expected market development. |
| Discount rate | – | The discount rate used is before tax. |

The recoverable amounts of e-Commerce CGU based on the estimated value-in-use calculations were higher than their carrying amounts (including goodwill and tradenames) at 31 December 2021. Accordingly, no provision for impairment loss for goodwill or tradenames is considered necessary.

## 9 INTERESTS IN JOINT VENTURES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Non-current** | | |
| Investment costs (note) | 206,189 | 205,178 |
| Funds advanced to joint ventures | 17,731 | 20,231 |
| Less: accumulated share of losses | (223,061) | (222,271) |
| | 859 | 3,138 |
| Loan to a joint venture (note) | 580,273 | 576,869 |
| Interest receivable from a joint venture (note) | 360,522 | 258,199 |
| Less: impairment loss on receivables from a joint venture (note) | (13,500) | (13,500) |
| | 927,295 | 821,568 |
| | 928,154 | 824,706 |

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 January | 824,706 | 751,555 |
| Add: investment costs and fund advanced to a joint venture | – | 150 |
| Less: return of investment cost by a joint venture | (200) | – |
| Less: repayment of fund advanced from a joint venture | (2,369) | – |
| Add: interest receivables from a joint venture | 100,492 | 89,252 |
| Less: impairment loss provided | – | (13,500) |
| Share of profits for the year | 290 | 779 |
| Exchange differences | 5,235 | (3,530) |
| At 31 December | 928,154 | 824,706 |

## 9 INTERESTS IN JOINT VENTURES (continued)

Note:

In July 2017, the Group entered into the agreement with Imagine Holding Company LLC ("Imagine") in relation to the formation of a joint venture company, namely Imagine Tiger Television, LLC ("ITT"), on a 50:50 basis between both parties. The purpose of ITT is to finance the development and production of a slate of television projects whether developed and/or produced by Imagine alone or with third-party co-financiers/co-production partners. The Group has contributed to the capital of ITT in an amount of US$33,333,000 as to 50% of the equity interests in ITT and has provided a loan to ITT in an amount of US$66,667,000 in the form of the Promissory Note. The Promissory Note is unsecured and bears an interest rate of 12% per annum and will mature in July 2032. Interest and principal of the Promissory Note will not become payable unless ITT has distributable cash as defined in the agreement. Imagine shall not be making any capital contribution to ITT but shall contribute in-kind in the form of production expertise as it has the duty to manage and control the business and affairs of ITT and all creative and production decisions with respect to the television projects financed by ITT. With reference to this capital contribution arrangement, the Group would share 100% of ITT's result until ITT has accumulated a positive balance of retained earnings. When the Group's equity interests in ITT has reduced to zero, the Group would not recognise further losses. With effect from 1 July 2019, a conversion of the Group's equity contribution of US$7,742,000 into a loan to ITT was executed, which accumulated the loan to ITT with an amount of US$74,409,000.

As at 31 December 2021 and 2020, the carrying amounts of the loan and receivables from ITT approximated their fair values. The receivables are not yet due from ITT and management do not expect deterioration in the operating results of ITT based on its cash flow forecast, the Group considered the credit risk of default for ITT was low. The maximum exposure to credit risk is the carrying values of the loan and receivables above. In addition, management is closely monitoring the development of the COVID-19 outbreak and evaluate its possible impact on ITT's operating results. Provision of 12-month ECL is HK$13,500,000 as at 31 December 2021 and 2020, which was principally based on the probability of default (with reference to the credit rating of comparable companies) and forward looking information on macroeconomic factors incorporated in the ECL model. Since the credit risk of ITT remains, no further provision was recognised during the year ended 31 December 2021.

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

§ The Group does not hold class B units and has 50% equity interest in ITT

All joint ventures are private companies and there are no quoted market prices available for their shares. Their investment costs and funds advanced are accounted for using the equity method while the loan to and interest receivable from a joint venture are classified as financial assets at amortised cost.

## 9 INTERESTS IN JOINT VENTURES (continued)

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.

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 liabilities of the joint ventures:

| | As at 31 December 2021 | | | As at 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | ITT[Δ] HK$'000 | Others HK$'000 | Total HK$'000 | ITT HK$'000 | Others HK$'000 | Total HK$'000 |
| **Assets** | | | | | | |
| Cash and cash equivalents | 365,880 | 4,729 | 370,609 | 329,060 | 9,277 | 338,337 |
| Other current assets (excluding cash and cash equivalents) | 224,606 | 522 | 225,128 | 245,290 | 3,124 | 248,414 |
| Total current assets | 590,486 | 5,251 | 595,737 | 574,350 | 12,401 | 586,751 |
| Total non-current assets | – | – | – | – | – | – |
| | 590,486 | 5,251 | 595,737 | 574,350 | 12,401 | 586,751 |
| **Liabilities** | | | | | | |
| Current financial liabilities (excluding trade payables) | – | (38,995) | (38,995) | – | (46,098) | (46,098) |
| Other current liabilities (including trade payables) | (120,475) | – | (120,475) | (92,929) | (442) | (93,371) |
| Total current liabilities | (120,475) | (38,995) | (159,470) | (92,929) | (46,540) | (139,469) |
| Total non-current financial liabilities | (894,335) | – | (894,335) | (793,829) | – | (793,829) |
| | (1,014,810) | (38,995) | (1,053,805) | (886,758) | (46,540) | (933,298) |
| **Net liabilities** | (424,324) | (33,744) | (458,068) | (312,408) | (34,139) | (346,547) |
| Share of net liabilities in joint ventures | (424,324) | (16,872) | (441,196) | (312,408) | (17,093) | (329,501) |
| Add: Capitalised professional fees | 6,612 | – | 6,612 | 6,573 | – | 6,573 |
| Add: Unrecognised loss in excess of investment costs | 417,712 | – | 417,712 | 305,835 | – | 305,835 |
| Add: Funds advanced | – | 17,731 | 17,731 | – | 20,231 | 20,231 |
| **Carrying value*** | – | 859 | 859 | – | 3,138 | 3,138 |

* excluding loan and interest receivable

Δ The Group shares 100% of ITT's loss with reference to the agreement in relation to formation of ITT.

## 9 INTERESTS IN JOINT VENTURES (continued)

Summarised statements of comprehensive income:

| | For the year ended 31 December 2021 | | | For the year ended 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | ITT HK$'000 | Others HK$'000 | Total HK$'000 | ITT HK$'000 | Others HK$'000 | Total HK$'000 |
| Revenue | 71,597 | – | 71,597 | 3,194 | – | 3,194 |
| Interest income | 76 | 6 | 82 | 1,317 | 38 | 1,355 |
| Depreciation | – | – | – | – | – | – |
| Interest expense | (100,492) | – | (100,492) | (89,252) | – | (89,252) |
| Loss from operations | (109,736) | – | (109,736) | (186,787) | – | (186,787) |
| Income tax | – | – | – | – | – | – |
| Post-tax (loss)/profit for the year | (109,736) | 589 | (109,147) | (186,787) | (259) | (187,046) |
| Other comprehensive income | – | – | – | – | – | – |
| Total comprehensive (loss)/profit | (109,736) | 589 | (109,147) | (186,787) | (259) | (187,046) |
| Dividends received from joint ventures | – | – | – | – | – | – |

## 10 INTERESTS IN ASSOCIATES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Investment costs | 174,000 | 174,000 |
| Less: accumulated share of losses | (1,137) | (2,758) |
| Less: accumulated share of other comprehensive income | 5,100 | 626 |
| | 177,963 | 171,868 |

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 January | 171,868 | 162,009 |
| Share of profits/(losses) for the year | 1,621 | (1,180) |
| Share of other comprehensive income | 4,474 | 11,039 |
| At 31 December | 177,963 | 171,868 |

## 10 INTERESTS IN ASSOCIATES (continued)

Details of the material associate are as follows:

| Name | Place of incorporation and operation | Principal activity | 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.

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 2021 HK$'000** | As at 31 December 2020 HK$'000 |
|---|---|---|
| **Assets** | | |
| Current financial assets | **1,138** | 1,138 |
| Interest in an associate | **444,380** | 429,142 |
| | **445,518** | 430,280 |
| **Liabilities** | | |
| Current financial liabilities | **(350)** | (350) |
| **Net assets** | **445,168** | 429,930 |
| **Interest in associates (40%) and carrying value** | **178,067** | 171,972 |

## 10 INTERESTS IN ASSOCIATES (continued)

Summarised consolidated statement of comprehensive income:

| | For the year ended 31 December 2021 HK$'000 | For the year ended 31 December 2020 HK$'000 |
|---|---|---|
| Revenue | – | – |
| Share of profit/(loss) of associate | 4,052 | (2,950) |
| Post-tax profit/(loss) for the year | 4,052 | (2,950) |
| Other comprehensive income | 11,186 | 27,597 |
| Total comprehensive income | 15,238 | 24,647 |
| Dividends received from associate | – | – |

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 January | 12,052 | 39,775 |
| Investment | 5,000 | – |
| Return of investment costs | – | (27,723) |
| At 31 December | 17,052 | 12,052 |

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% |
| HomePlus Holding Limited | Hong Kong | Hong Kong | e-Commerce business | Ordinary shares of HK$1 each | 5% |

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 Hong Kong dollars, 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.

## 12 BOND SECURITIES AT AMORTISED COST

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **Non-current** | | |
| Bond securities at amortised cost: | | |
| Unlisted | **504,901** | 509,197 |
| Listed in Hong Kong | **39,147** | 131,238 |
| Listed in other countries | **150,347** | 212,585 |
| Less: provision for impairment loss on bond securities (notes (b), (c) and (d)) | **(489,125)** | (412,125) |
| | **205,270** | 440,895 |
| **Current** | | |
| Bond securities at amortised cost: | | |
| Unlisted | **5,001** | – |
| Listed in Hong Kong | **–** | 54,181 |
| Listed in other countries | **23,433** | 15,480 |
| | **28,434** | 69,661 |
| | **233,704** | 510,556 |

Notes:

(a) The bond securities portfolio carry a weighted average yield to maturity of 3.8% (2020: 3.9%) per annum and have ranges of maturity dates with the last maturity date up to 23 January 2027. The largest fixed income securities from a single issuer within the portfolio, which is made up of a total of 8 (2020: 15) issuers of fixed income securities, represented approximately 0.7% (2020: 0.8%) of the total assets of the Group as at 31 December 2021. The underlying securities are denominated in Hong Kong dollars and US dollars. The interest received and receivable during the year from the bond securities at amortised cost amounted to HK$14,463,000 (2020: HK$40,430,000).

During the year, the Group disposed/redeemed bond securities at amortised cost with the aggregate carrying amount of HK$201,719,000 (2020: HK$739,733,000) with loss on disposal amounted to HK$3,450,000 (2020: gain of HK$22,097,000).

The carrying amounts of the bond securities at amortised cost approximate their fair values. The maximum exposure to credit risk is the carrying values of the bond securities at amortised cost.

(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. The listing of SMI's shares has been cancelled with effect from 14 December 2020.

Based on the impairment assessment as detailed in Note 13, the management considered full impairment of the Fixed Coupon Bonds was adequate but not excessive at 31 December 2021 and 2020.

## 12 BOND SECURITIES AT AMORTISED COST (continued)

Notes: (continued)

(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 mainland China. According to CERC's announcement dated 25 May 2018, CERC plans to divest certain of its assets in order to resolve its current cash flow difficulties. Management has reviewed a report ("Report") dated 17 August 2018 and prepared by the financial adviser appointed by CERC ("CERC's financial adviser"), in relation to, among other things, a review of the financial condition of CERC. CERC has prepared a plan for the repayment of the principal and the interest over an eight-year period.

On 24 December 2018, the Group had received coupon interests from CERC Bonds. Based on the review of the Report and the receipt of the bond interests, management believes that CERC has both the intention and ability to settle the outstanding balances in an extended schedule. The Group has approached the impairment assessment under the ECL model by way of discounting of the expected cashflow to be recovered over an eight-year period for calculation of the net present value of the CERC Bonds, taking into consideration comparable probability of default, recovery rate quoted from international credit-rating agencies after adjustments to specific conditions/financial conditions and current creditworthiness of CERC and its restructuring progress. On this basis, an impairment loss of HK$26 million was made during the year ended 31 December 2018.

On 8 November 2019, CERC released the revised restructuring proposal prepared by CERC's financial adviser with the key elements of (i) increasing the installment percentage of principal repayments in earlier years and (ii) suspending all interest payments on the outstanding CERC Bonds.

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

On 8 November 2019 and 25 March 2020, CERC has proposed revised repayment schedules.

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

During the year ended 31 December 2021, the Group continued to closely monitor the situation. Subsequent to the year end, the bond issuer announced that a further revised restructuring proposal is expected to be presented by the end of April 2022 with the details of (i) partial payment of the principal amount of the CERC bonds as full and final settlement of any and all outstanding amounts due under the CERC bonds; and (ii) exchange of the CERC bonds for shares or equity interests in a special purpose company holding certain assets.

As at 31 December 2021, the Group continued to closely monitor the situation and performed impairment assessment under the ECL model, after taking reference to the valuation performed by an independent valuer, which concluded the accumulated lifetime ECL provision of HK$56 million as at year end was adequate but not excessive. As such, no further impairment losses were made during the year ended 31 December 2021.

## 12 BOND SECURITIES AT AMORTISED COST (continued)

Notes: (continued)

(d) Other bonds

Other than SMI's Fixed Coupon Bonds and CERC Bonds, the net carrying amount of the bond securities at amortised cost as at 1 January 2021 was HK$473,523,000. During the year, the Group disposed/redeemed bond securities with a total carrying amount of HK$201,718,000. For the unlisted bond securities at amortised cost considered as credit-impaired as at 31 December 2020 and 2021, as a result of default events pursuant to the bond agreements, a lifetime ECL allowance has been assessed. For other bond securities considered not credit-impaired, the Group would measure the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises a lifetime ECL. With reference to the valuation performed by an independent professional valuer and latest development of certain bond issuers, the management performed an analysis of the recovery rate of bond securities by adopting its independently selected parameters which contain credit rating profile similar to each of bond securities and provided an additional ECL provision on such bond securities of HK$77 million (2020: HK$88 million) during the year. As at 31 December 2021, the net carrying amount of other securities at amortised costs after provision for impairment loss was HK$196,122,000 (31 December 2020: HK$473,523,000).

The details of ECL provision under three-stage model is set out in Note 3.1(b).

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Beginning of the year | – | – |
| Acquisition of subsidiaries (Note 39(a)) | **17,259** | – |
| End of the year | **17,259** | – |

(a) Pursuant to the share purchase agreement entered into between Sunrise Investments and Ztore as detailed in Note 39(a), Sunrise Investments has a call option to purchase all of the shares held by any and all the existing shareholders of Ztore on certain terms and conditions, where the right to exercise such call option is linked to the gross merchandise value (the "GMV") and the Contribution Margin percentage of the GMV ("Contribution Margin %") per financial quarter.

(b) In addition to the Fixed Coupon Bonds described in Note 12, 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 2021.

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 against 100% of the issued share capital of SMI International Cinemas Limited ("SMI International", an indirect wholly owned subsidiary of SMI). 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 operates SMI's principal business as cinema operators in a number of cities in the Mainland China.

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

(b) (continued)

On 7 May 2020, SMI was ordered to be wound up and joint and several liquidators of SMI were appointed on 12 May 2020. The Listing Committee of the Stock Exchange decided to cancel the listing of SMI's shares on 8 May 2020 and the listing of SMI's shares has been cancelled with effect from 14 December 2020.

As at 31 December 2021, after considering the latest development of SMI, management is of the same view that any recovery from SMI Bonds is not likely, resulting in the carrying amount of the SMI Bonds to remain at nil (2020: Nil).

## 14 STOCKS

At 31 December 2021 and 2020, all stocks were stated at the lower of cost and net realisable value.

## 15 TRADE RECEIVABLES

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Trade receivables from: | | |
| Associates (Note 40(c)) | **–** | 128 |
| Third parties (note) | **1,049,955** | 1,156,938 |
| | **1,049,955** | 1,157,066 |
| Less: provision for impairment loss on receivables from third parties | **(48,259)** | (61,470) |
| | **1,001,696** | 1,095,596 |

Note:

Except the e-Commerce business, 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 mainland China. Cash on delivery, advance payments or bank guarantees are required from other customers of the Group.

The e-Commerce business trade with its customers on terms of pay in advance. The trade receivables represented proceeds received by service providers of electronic payment platforms. The trade receivables are not past due and the Group does not hold any collateral over these balances.

At 31 December 2021, the ageing of trade receivables, net of provision for impairment based on invoice dates was as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Up to 1 month | **567,264** | 594,594 |
| 1–2 months | **180,884** | 154,637 |
| 2–3 months | **50,796** | 69,060 |
| 3–4 months | **48,961** | 41,256 |
| 4–5 months | **29,423** | 31,446 |
| Over 5 months | **124,368** | 204,603 |
| | **1,001,696** | 1,095,596 |

## 15 TRADE RECEIVABLES (continued)

The percentages of amounts of trade receivables (before impairment loss) are denominated in the following currencies:

| | 2021 % | 2020 % |
|---|---|---|
| Hong Kong dollars | **48** | 58 |
| Renminbi | **44** | 35 |
| US dollars | **2** | 3 |
| Malaysian Ringgit | **1** | 1 |
| Other currencies | **5** | 3 |
| | **100** | 100 |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 January | **61,470** | 51,750 |
| Provision for impairment loss – third parties | **15,231** | 20,594 |
| Reversal of provision for impairment loss – third parties | **(9,150)** | (7,448) |
| Receivables written off as uncollectible | **(19,485)** | (3,656) |
| Exchange differences | **193** | 230 |
| At 31 December | **48,259** | 61,470 |

The Group applies the HKFRS 9 simplified approach to measured 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 2021, the gross carrying amount of the trade receivables and the loss allowance provision analysed by ageing band are set out below.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount HK$'000 | Loss allowance provision HK$'000 | Weighted average expected loss rate % | Gross carrying amount HK$'000 | Loss allowance provision HK$'000 | Weighted average expected loss rate % |
| Up to 5 months | **894,629** | **17,301** | **2%** | 913,984 | 22,991 | 3% |
| Over 5 months to 1 year | **65,247** | **10,774** | **17%** | 122,051 | 6,221 | 5% |
| Over 1 year | **90,079** | **20,184** | **22%** | 121,031 | 32,258 | 27% |
| | **1,049,955** | **48,259** | | 1,157,066 | 61,470 | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 TRADE RECEIVABLES (continued)

The carrying amounts of trade receivables approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivable mentioned above. The Group does not hold any collateral as security.

## 16 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Non-current** | | |
| Prepayments related to capital expenditure | **48,798** | 31,360 |
| **Current** | | |
| Other receivables, prepayments and deposits | **547,810** | 537,593 |
| Contract acquisition and fulfilment costs | **8,203** | 13,568 |
| | **556,013** | 551,161 |
| | **604,811** | 582,521 |

As at 31 December 2020 and 2021, the expected credit losses in relation to the other receivables and deposits are not considered material.

The carrying amounts of other receivables, prepayments and deposits approximate their fair values.

The other receivables mainly represent interest receivables, advance of programme production, prepayment of movie investment, license fee and insurance fee.

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| At 1 January | **19,454** | 66,992 |
| Losses on movie investments | **–** | (33,101) |
| Return of investments | **(1,302)** | (14,437) |
| At 31 December | **18,152** | 19,454 |

## 18 BANK DEPOSITS MATURING AFTER THREE MONTHS AND CASH AND CASH EQUIVALENTS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Bank deposits maturing after three months | **2,536** | 1,997,763 |
| Cash and cash equivalents | **1,174,718** | 1,337,635 |
| | **1,177,254** | 3,335,398 |
| Analysis of cash and cash equivalents | | |
| Short-term bank deposits | **356,353** | 703,089 |
| Cash at bank and on hand | **818,365** | 634,546 |
| | **1,174,718** | 1,337,635 |

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 bank deposits maturing after three months and cash and cash equivalents approximate their fair values.

Bank deposits maturing after three months and cash and cash equivalents are denominated in the following currencies:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| US dollars | **180,942** | 2,490,506 |
| Renminbi | **546,294** | 476,727 |
| Hong Kong dollars | **235,510** | 258,248 |
| New Taiwan dollars | **123,078** | 86,323 |
| Other currencies | **91,430** | 23,594 |
| | **1,177,254** | 3,335,398 |

## 19 SHARE CAPITAL

| | Number of shares (thousands) | Share capital HK$'000 |
|---|---|---|
| **Ordinary shares, issued and fully paid:** | | |
| **At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021** | **438,000** | **664,044** |

Overview Management Discussion and Analysis Governance Financials

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2020 | 70,000 | (20,699) | 118,067 | 39,946 | (7,756) | (66,650) | 132,908 |
| Transferred from retained earnings | – | – | 2,372 | – | – | – | 2,372 |
| Exchange differences on translation of foreign operations: | | | | | | | |
| – Subsidiaries | – | – | – | – | – | 21,942 | 21,942 |
| – Joint ventures | – | – | – | – | – | 958 | 958 |
| Share of other comprehensive loss of an associate | – | – | – | – | – | 11,039 | 11,039 |
| Share-based payments | – | – | – | 9,037 | – | – | 9,037 |
| Lapse of share option | – | – | – | (2,612) | – | – | (2,612) |
| Balance at 31 December 2020 | 70,000 | (20,699) | 120,439 | 46,371 | (7,756) | (32,711) | 175,644 |
| Balance at 1 January 2021 | 70,000 | (20,699) | 120,439 | 46,371 | (7,756) | (32,711) | 175,644 |
| Transferred from retained earnings | – | – | 6,869 | – | – | – | 6,869 |
| Exchange differences on translation of foreign operations: | | | | | | | |
| – Subsidiaries | – | – | – | – | – | 20,177 | 20,177 |
| – Joint ventures | – | – | – | – | – | (1,210) | (1,210) |
| Share of other comprehensive loss of an associate | – | – | – | – | – | 4,474 | 4,474 |
| Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries | – | – | – | – | – | (1,347) | (1,347) |
| Written put options (Note 22) | – | (140,000) | – | – | – | – | (140,000) |
| Share-based payments | – | – | – | (2,506) | – | – | (2,506) |
| Lapse of share option | – | – | – | (14,229) | – | – | (14,229) |
| **Balance at 31 December 2021** | **70,000** | **(160,699)** | **127,308** | **29,636** | **(7,756)** | **(10,617)** | **47,872** |

## 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). It also includes the present value of redemption amount of the written put options, which is a reduction of the Group's equity, as detailed in Note 22.

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 mainland China, the mainland China 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 11. These changes are accumulated within the 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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Trade payables to: | | |
| Associates (Note 40(c)) | **523** | 158 |
| A joint venture (Note 40(c)) | **609** | – |
| Third parties | **178,868** | 146,578 |
| | **180,000** | 146,736 |
| Contract liabilities (note (a)) | **171,381** | 147,666 |
| Provision for employee benefits and other expenses | **90,121** | 56,293 |
| Accruals and other payables | **326,696** | 273,697 |
| | **768,198** | 624,392 |

Notes:

(a) On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$133,650,000 was recognised as revenue in 2021 (2020: HK$121,697,000) that was included in the contract liabilities balance as at the beginning of the year.

## 21 TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

Notes: (continued)

(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 2020. 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.

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 1 year | **319,868** | 488,221 |
| More than 1 year | **365,765** | 333,299 |
| | **685,633** | 821,520 |

At 31 December 2021, the ageing of trade payables based on invoice dates was as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Up to 1 month | **124,404** | 110,363 |
| 1–2 months | **27,086** | 13,333 |
| 2–3 months | **12,551** | 11,208 |
| 3–4 months | **2,472** | 5,182 |
| 4–5 months | **1,558** | 4,354 |
| Over 5 months | **11,929** | 2,296 |
| | **180,000** | 146,736 |

The percentages of amounts of trade payables are denominated in the following currencies:

| | 2021<br>% | 2020<br>% |
|---|---|---|
| Hong Kong dollars | **71** | 40 |
| US dollars | **11** | 13 |
| Renminbi | **16** | 46 |
| Other currencies | **2** | 1 |
| | **100** | 100 |

The other payables mainly represent accruals for programme cost.

The carrying amounts of trade and other payables and accruals approximate their fair values.

## 22 WRITTEN PUT OPTION LIABILITIES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Written put option liabilities | **140,000** | – |

Pursuant to the share purchase agreement entered into between Sunrise Investments and Ztore as detailed in Note 39(a), provided that the call option granted to Sunrise Investments has not previously been exercised, the existing shareholders shall be granted a put option to sell all of the shares held in Ztore to Sunrise Investments on certain terms and conditions, where the right to exercise such put option is subject to the gross merchandise value (the "GMV") and the contribution margin percentage of the GMV ("Contribution Margin %") per quarter. The existing shareholders may exercise the put option at the price of HK$140,000,000 depending on the certain threshold of GMV and Contribution Margin % per quarter being met.

## 23 BORROWINGS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Non-current** | | |
| Bank borrowings, unsecured (note (a)) | – | 1,934,958 |
| Other borrowings, unsecured (note (b)) | **15,934** | – |
| | **15,934** | 1,934,958 |
| **Current** | | |
| Bank borrowings, unsecured (note (a)) | **1,947,687** | – |
| TVB Notes, unsecured (note (c)) | – | 1,817,689 |
| Other borrowings, unsecured (note (b)) | **45,000** | – |
| | **1,992,687** | 1,817,689 |
| | **2,008,621** | 3,752,647 |

## 23 BORROWINGS (continued)

At 31 December 2021 and 2020, borrowings were repayable as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within 1 year | **1,992,687** | 1,817,689 |
| Later than 1 year but not later than 5 years | **15,934** | 1,934,958 |
| | **2,008,621** | 3,752,647 |

Note:

(a) On 30 June 2020, the Group entered into a new 3-year term loan facility with the amount of USD250 million. The entire amount under the facility was drawn down on 6 July 2020, which will mature on 6 July 2023 and bears a variable interest rate of approximately 2.4% (2020: 2.4%) per annum as at 31 December 2021.

As at 31 December 2021, there was non-compliance with a bank covenant under a loan agreement with a bank in relation to the ratio of consolidated net debt to consolidated EBITDA ("EBITDA covenant") in the financial year 2021. Accordingly, as at 31 December 2021, for the purpose of the above presentation, the Group's bank loan with the amount of USD250 million was classified as bank loans repayable within one year or on demand at 31 December 2021.

Subsequent to 31 December 2021, the Group has successfully obtained written waiver from the bank to waive the EBITDA covenant for the year ended 31 December 2021 and the year ending 31 December 2022 and not to exercise their rights to demand immediate repayment of the loan during the aforesaid period.

Based on the maturity terms of the bank loans, as at 31 December 2021, the amounts repayable in respect of the bank loans of the Group were USD250 million payable in the second year.

(b) As at 31 December 2021, the Group's loan of HK$15,934,000 from the third parties bears interest rate of 5% per annum with maturity date of 30 September 2025. Other borrowings of HK$45,000,000 from a third party bears interest rate of 6% per annum and is repayable on demand.

(c) On 11 October 2016, the Group issued US$500,000,000 3.625% five-year notes due 2021 ("TVB Notes"). Up to 31 December 2021, the Company purchased US$264,820,000 in aggregate nominal amount of the Notes issued by TVB Finance Limited. Such amount was cancelled on 4 October 2021. The Group redeemed the outstanding balance of US$235,180,000 upon maturity on 11 October 2021.

The carrying amounts of borrowings approximate their fair values.

## 24 LEASE LIABILITIES

At 31 December 2021 and 2020, the Group's lease liabilities recognised in the consolidated statement of financial position were as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within 1 year | **32,045** | 30,276 |
| Later than 1 year but not later than 5 years | **18,038** | 9,505 |
| | **50,083** | 39,781 |

## 25 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities on the consolidated statement of financial position are analysed as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Net deferred income tax assets recognised on the consolidated statement of financial position | **(283,917)** | (144,169) |
| Net deferred income tax liabilities recognised on the consolidated statement of financial position | **66,801** | 55,436 |
| | **(217,116)** | (88,733) |

The movements in the deferred income tax (assets)/liabilities account are as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| At 1 January | **(88,733)** | 60,895 |
| Acquisition of subsidiaries (Note 39(a)) | **8,174** | – |
| Exchange differences | **(2,928)** | 150 |
| Recognised in the income statement | **(133,629)** | (149,778) |
| At 31 December | **(217,116)** | (88,733) |

## 25 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 2021, the Group has unrecognised tax losses of HK$2,886,299,000 (2020: HK$2,628,511,000) to be carried forward against future taxable income. These tax losses will expire as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| After the fifth year | **6,105** | 817 |
| No expiry date | **2,880,194** | 2,627,694 |
| At 31 December | **2,886,299** | 2,628,511 |

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**<br>**HK$'000** | **Others**<br>**HK$'000** | **Total**<br>**HK$'000** |
|---|---|---|---|
| At 1 January 2020 | 175,338 | 44,825 | 220,163 |
| Recognised in the income statement | (8,431) | 12,882 | 4,451 |
| Exchange differences | (3) | 257 | 254 |
| At 31 December 2020 | 166,904 | 57,964 | 224,868 |
| Recognised in the income statement | (3,811) | 11,870 | 8,059 |
| Acquisition of subsidiaries | 8,174 | – | 8,174 |
| Exchange differences | (4) | (2,817) | (2,821) |
| **At 31 December 2021** | **171,263** | **67,017** | **238,280** |

## 25 DEFERRED INCOME TAX (continued)

### Deferred income tax assets

| | Tax losses HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2020 | 146,845 | 12,423 | 159,268 |
| Recognised in the income statement | 156,144 | (1,915) | 154,229 |
| Exchange differences | (1) | 105 | 104 |
| At 31 December 2020 | 302,988 | 10,613 | 313,601 |
| Recognised in the income statement | 140,374 | 1,314 | 141,688 |
| Exchange differences | 1 | 106 | 107 |
| **At 31 December 2021** | **443,363** | **12,033** | **455,396** |

Deferred income tax assets are recognised for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable.

## 26 RETIREMENT BENEFIT OBLIGATIONS

No forfeited contribution was utilised during the years 2021 and 2020.

Contributions totalling HK$7,048,000 (2020: HK$6,924,000) were payable to the fund at the year end and are included in other payables and accruals.

## 27 LOSS BEFORE INCOME TAX

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Net exchange gains | **(3,829)** | (28,822) |
| Gross rental income from investment properties | **(3,885)** | (3,431) |
| Direct operating expenses arising from investment properties | **633** | 508 |
| Loss/(gain) on disposals of property, plant and equipment | **821** | (59) |
| Auditors' remuneration | | |
| – Audit services | **6,183** | 5,412 |
| – Non-audit services | **1,497** | 1,972 |
| Cost of programmes and film rights | **1,498,176** | 1,370,505 |
| Cost of other stocks | **188,096** | 14,193 |
| Depreciation (Notes 6 and 7) | **346,794** | 351,517 |
| Amortisation of intangible assets (Note 8) | **66,613** | 44,260 |
| Short-term leases | | |
| – Equipment and transponders | **8,389** | 6,299 |
| – Land and buildings | **7,285** | 9,985 |
| Employee benefit expense (excluding directors' emoluments) (Note 29(a)) | **1,449,140** | 1,372,704 |
| Government subsidies from Employment Support Scheme | **–** | (202,385) |

## 28 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remunerations of all Directors and the chief executive for the years ended 31 December 2021 and 2020 are set out below:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Fees HK$'000 | Salaries, leave pay and other benefit (note (v)) HK$'000 | Discretionary bonuses (note (vi)) HK$'000 | Pension contributions HK$'000 | Share-based payment (note (vii)) HK$'000 | Total HK$'000 |
| Thomas Hui To | 859 | – | – | – | 607 | 1,466 |
| Mark Lee Po On (note (ii)) | 348 | 2,911 | – | 277 | (1,768) | 1,768 |
| Li Ruigang | 465 | – | – | – | – | 465 |
| Anthony Lee Hsien Pin | 515 | – | – | – | – | 515 |
| Chen Wen Chi (note (iv)) | 104 | – | – | – | – | 104 |
| William Lo Wing Yan | 560 | – | – | – | – | 560 |
| Caroline Wang Chia-Ling (note (iv)) | 146 | – | – | – | – | 146 |
| Allan Zeman | 315 | – | – | – | – | 315 |
| Felix Fong Wo | 628 | – | – | – | – | 628 |
| Belinda Wong Ching Ying | 486 | – | – | – | – | 486 |
| Kenneth Hsu Kin (note (iii)) | 303 | – | – | – | – | 303 |
| | 4,729 | 2,911 | – | 277 | (1,161) | 6,756 |

## 28 BENEFITS AND INTERESTS OF DIRECTORS (continued)

### (a) Directors' emoluments (continued)

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Fees HK$'000 | Salaries, leave pay and other benefit (note (v)) HK$'000 | Discretionary bonuses (note (vi)) HK$'000 | Pension contributions HK$'000 | Share-based payment (note (vii)) HK$'000 | Total HK$'000 |
| Thomas Hui To | 716 | – | – | – | 1,088 | 1,804 |
| Charles Chan Kwok Keung (note (i)) | 75 | – | – | – | – | 75 |
| Mark Lee Po On (note (ii)) | 743 | 7,118 | – | 685 | 1,088 | 9,634 |
| Li Ruigang | 533 | – | – | – | – | 533 |
| Anthony Lee Hsien Pin | 513 | – | – | – | – | 513 |
| Chen Wen Chi (note (iv)) | 277 | – | – | – | – | 277 |
| William Lo Wing Yan | 568 | – | – | – | – | 568 |
| Caroline Wang Chia-Ling (note (iv)) | 445 | – | – | – | – | 445 |
| Allan Zeman | 315 | – | – | – | – | 315 |
| Felix Fong Wo | 548 | – | – | – | – | 548 |
| Belinda Wong Ching Ying | 371 | – | – | – | – | 371 |
| Kenneth Hsu Kin (note (iii)) | 21 | – | – | – | – | 21 |
| | 5,125 | 7,118 | – | 685 | 2,176 | 15,104 |

Notes:

(i) Mr. Charles Chan Kwok Keung resigned on 4 February 2020.

(ii) Mr. Mark Lee Po On resigned on 27 May 2021.

(iii) Mr. Kenneth Hsu Kin was appointed as non-executive director with effect from 2 December 2020.

(iv) Mr. Chen Wen Chi and Professor Caroline Wang Chia-Ling retired on 26 May 2021.

(v) 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.

(vi) Discretionary bonuses are determined and approved in recognition of the Executive Director's performance and contributions to the Company.

(vii) 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. Following the resignation of Mr. Mark Lee Po On, the related share-based payments previously recognised for his unvested service periods were reversed during the year.

**(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.

## 29 EMPLOYEE BENEFIT EXPENSE

### (a) Employee benefit expense

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Wages and salaries | **1,372,698** | 1,293,649 |
| Share-based payment | **(900)** | 6,306 |
| Pension costs – defined contribution plans | **77,342** | 72,749 |
| | **1,449,140** | 1,372,704 |

### (b) Five highest paid individuals

No directors (2020: one Director) whose emoluments are reflected in the analysis presented in Note 29(a) above were included in the five individuals whose emoluments were the highest in the Group for the year. The emoluments payable to the remaining five (2020: four) individuals during the year are as follows:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Salaries and leave pay | **16,566** | 15,298 |
| Bonuses | **–** | 840 |
| Pension contributions | **491** | 500 |
| Share-based payment | **498** | 2,193 |
| | **17,555** | 18,831 |

The aggregate emoluments paid to the five (2020: four) individuals are further analysed into the following bands:

| Emolument bands | Number of individuals in each band 2021 | 2020 |
|---|---|---|
| HK$2,000,001– HK$2,500,000 | **1** | – |
| HK$2,500,001– HK$3,000,000 | **1** | – |
| HK$3,000,001– HK$3,500,000 | **1** | – |
| HK$3,500,001– HK$4,000,000 | **1** | 1 |
| HK$4,500,001– HK$5,000,000 | **–** | 1 |
| HK$5,000,001– HK$5,500,000 | **1** | 2 |
| | **5** | 4 |

## 29 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 | |
|---|---|---|
| | **2021** | 2020 |
| HK$1,000,001– HK$1,500,000 | **2** | – |
| HK$2,000,001– HK$2,500,000 | **2** | 1 |
| HK$3,000,001– HK$3,500,000 | **1** | – |
| HK$3,500,001– HK$4,000,000 | **1** | 1 |
| HK$4,500,001– HK$5,000,000 | **–** | 1 |
| HK$8,500,001– HK$9,000,000 | **–** | 1 |
| | **6** | 4 |

* the above emoluments included one (2020: one) Director of the Company

## 30 EMPLOYEE SHARE-BASED PAYMENTS

The establishment of the Share Option Scheme of the Company and Subsidiary Share Option Scheme of its subsidiary, Big Big e-Commerce Group Limited ("BBECGL") 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/BBECGL or its affiliate; a representative, manager, agent, contractor, advisor, consultant, distributor or supplier providing service or goods to the Company/BBECGL or its affiliate; a customer or joint venture partner of the Company/BBECGL or its affiliate; a trustee of any trust established for the benefit of employees of the Company/BBECGL or its affiliate, any other class of participants which the board of the Company/BBECGL 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/BBECGL) to deliver long-term shareholder returns. Under the share option schemes, unless otherwise determined by the board of the Company/BBECGL 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/BBECGL's 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/BBECGL 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.

## 30 EMPLOYEE SHARE-BASED PAYMENTS (continued)

As at 31 December 2021, 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:

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **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** | **16,000,000** | HK$25.84 | 17,000,000 |
| Lapsed during the year | **HK$25.84** | **(6,750,000)** | HK$25.84 | (1,000,000) |
| As at 31 December | **HK$25.84** | **9,250,000** | HK$25.84 | 16,000,000 |
| Vested and exercisable at 31 December | **HK$25.84** | **7,400,000** | HK$25.84 | 9,600,000 |

## 30 EMPLOYEE SHARE-BASED PAYMENTS (continued)

Share options outstanding at 31 December 2021 have the following expiry date and exercise prices:

| Grant date | Expiry date | Exercise price | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|
| 22 March 2018 | 22 March 2023 | HK$25.84 | **9,250,000** | 16,000,000 |
| Weighted average remaining contractual life of options outstanding at end of year | | | **1.22 years** | 2.22 years |

During the year, the equity-settled share-based payments relating to the Share Option Scheme of HK$2,506,000 was credited to the consolidated income statement (2020: a charge of HK$9,037,000).

## 31 OTHER GAINS, NET

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Net exchange gains | **3,829** | 28,822 |
| Capital gain tax refund from disposal of properties in Taiwan in prior years (note) | **69,642** | – |
| Gain on disposal of properties | **–** | 26,931 |
| Losses on movie and drama investments | **–** | (33,101) |
| Gain on purchase of TVB Notes | **–** | 1,133 |
| | **73,471** | 23,785 |

Note:

The Group has received tax refund on non-taxable capital gain from disposal of investment properties in Taiwan under income tax.

## 32 FINANCE COSTS

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Interest on bank loans and overdraft | **46,327** | 25,300 |
| Interest on TVB Notes | **51,645** | 66,451 |
| Amortised amount of transaction costs on TVB Notes | **5,603** | 7,226 |
| Interest on other borrowings | **1,196** | – |
| Interest expense on lease liabilities | **1,601** | 1,872 |
| | **106,372** | 100,849 |

## 33 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Current income tax: | | |
| – Hong Kong | (760) | 35,053 |
| – Overseas | 31,667 | 24,189 |
| – Under provisions in prior years | 1,083 | 2,958 |
| Total current income tax expense | 31,990 | 62,200 |
| Deferred income tax: | | |
| – Origination and reversal of temporary differences | (132,970) | (149,524) |
| – Over provisions in prior years | (659) | (254) |
| Total deferred income tax credit (Note 25) | (133,629) | (149,778) |
| | (101,639) | (87,578) |

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:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Loss before income tax | (758,735) | (344,686) |
| Calculated at a taxation rate of 16.5% (2020: 16.5%) | (125,191) | (56,873) |
| Effect of different taxation rates in other countries | 15,085 | 9,367 |
| Tax effect on the share of results of associates and joint ventures | (30,324) | (24,328) |
| Income not subject to taxation | (803) | (40,172) |
| Expenses not deductible for taxation purposes | 29,116 | 37,342 |
| Tax losses not recognised | 17,527 | 994 |
| Utilisation of previously unrecognised tax losses | (8,944) | (21,260) |
| Tax credit allowance | (7,953) | (10,319) |
| Withholding tax on overseas dividend | 1,892 | 12,040 |
| Others | 7,532 | 2,927 |
| Under provisions in prior years | 424 | 2,704 |
| | (101,639) | (87,578) |

## 34 LOSS PER SHARE

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$646,735,000 (2020: HK$280,881,000) and 438,000,000 shares in issue throughout the years ended 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, no fully diluted loss per share was presented as the basic and diluted loss per share are of the same amount. This is because the assumed exercise of the share options would result in a decrease in loss per share.

## 35 DIVIDENDS

The Directors did not recommend a dividend for the years ended 31 December 2021 and 2020.

## 36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operations:

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Loss before income tax | | **(758,735)** | (344,686) |
| Adjustments for: | | | |
| Depreciation and amortisation | | **413,407** | 395,777 |
| Provision for impairment loss on trade receivables | | **15,231** | 20,594 |
| Reversal of provision for impairment loss on trade receivables | | **(9,150)** | (7,448) |
| Impairment loss net of gain/loss on disposal of other financial assets at amortised cost | | **80,450** | 95,903 |
| Losses on movie investments | | **–** | 33,101 |
| Non-cash share-based payments | | **(2,506)** | 9,037 |
| Share of profits of joint ventures | | **(290)** | (779) |
| Impairment loss on receivables from a joint venture | | **–** | 13,500 |
| Share of (profits)/losses of associates | | **(1,621)** | 1,180 |
| Gain on purchase of TVB Notes | | **–** | (1,133) |
| Gain on disposal of properties | | **–** | (26,931) |
| Loss/(gain) on disposal of property, plant and equipment | | **821** | (59) |
| Interest income | | **(153,204)** | (160,585) |
| Finance costs | | **106,372** | 100,849 |
| Exchange differences | | **19,820** | 8,433 |
| | | **(289,405)** | 136,753 |
| Increase in programmes, film rights and stocks | | **(86,069)** | (143,396) |
| Decrease in trade receivables | | **91,392** | 79,965 |
| Decrease/(increase) in other receivables, prepayments and deposits | | **87,015** | (11,511) |
| Decrease in trade and other payables and accruals | | **(25,630)** | (27,675) |
| Cash (used in)/generated from operations | | **(222,697)** | 34,136 |

## 36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Non-cash investing activities

As disclosed in Note 39(a), the Group's consideration on acquisition of subsidiaries of HK$130,000,000 was satisfied by TVB Resource Packages, which was a non-cash transaction.

As disclosed in Note 22, written put option liabilities of HK$140,000,000 was recognised upon business combination as detailed in Note 39, which was a non-cash transaction.

### (c) Net debt reconciliation

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Cash and cash equivalents | **1,174,718** | 1,337,635 |
| Bank deposits maturing after three months | **2,536** | 1,997,763 |
| Short-term bank borrowings and Notes (Note 23) | **(1,947,687)** | (1,817,689) |
| Long-term bank borrowings (Note 23) | **–** | (1,934,958) |
| Other borrowings (Note 23) | **(60,934)** | – |
| Lease liabilities (Note 24) | **(50,083)** | (39,781) |
| Net debt | **(881,450)** | (457,030) |

| | Cash and cash equivalents HK$'000 | Bank deposits maturing after three months HK$'000 | Liabilities from financing activities: Borrowings HK$'000 | Liabilities from financing activities: Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Net debt as at 1 January 2020 | 1,105,611 | 79,137 | (2,208,376) | (72,629) | (1,096,257) |
| Addition in lease liabilities | – | – | – | (4,634) | (4,634) |
| Cash flows | 205,495 | 1,918,626 | (1,546,831) | 37,494 | 614,784 |
| Foreign exchange adjustments | 26,529 | – | 8,653 | (12) | 35,170 |
| Other non-cash movements | – | – | (6,093) | – | (6,093) |
| Net debt as at 31 December 2020 | 1,337,635 | 1,997,763 | (3,752,647) | (39,781) | (457,030) |
| Addition in lease liabilities | – | – | – | (14,714) | (14,714) |
| Lease modification | – | – | – | (20,289) | (20,289) |
| Acquisition of subsidiaries | – | – | (60,000) | (15,457) | (75,457) |
| Cash flows | (178,632) | (1,995,227) | 1,830,994 | 38,866 | (304,933) |
| Foreign exchange adjustments | 15,715 | – | (20,431) | (46) | (4,762) |
| Other non-cash movement | – | – | (6,537) | 1,338 | (4,265) |
| **Net debt as at 31 December 2021** | **1,174,718** | **2,536** | **(2,008,621)** | **(50,083)** | **(881,450)** |

## 37 COMMITMENTS

### (a) Capital commitments

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Contracted for but not provided for | **100,781** | 56,026 |

### (b) Contractual programme rights and programme contents commitments

The amounts of commitments for programme rights and programme contents are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Programme rights and programme contents commitments | **194,332** | 263,448 |

## 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. On 4 March 2020, the direction issued by the Government on the requirement to broadcast RTHK programmes has been revoked.

## 39 BUSINESS COMBINATION

### (a) Summary of acquisition

On 19 August 2021, BBECGL, a wholly-owned subsidiary of the Group and Shaw Brothers Pictures Limited ("SBPL"), an associate of the Group incorporated in the British Virgin Islands entered into a subscription agreement in relation to the formation of a special purpose vehicle, namely Sunrise Investments Global Limited ("Sunrise Investments"), in which BBECGL will hold 90.1% of the voting rights and 82.5% of the total issued shares, and SBPL will hold 9.9% of the voting rights and 17.5% of the total issued shares. The aggregate consideration in respect of the shares to be subscribed by BBECGL is HK$165 million comprising of (i) the sum of HK$35 million to be satisfied in cash and (ii) the sum of HK$130 million to be satisfied by BBECGL procuring the provision of resources in relation to artistes, television commercial spots and other advertising products on the Company's free-to-air and digital platforms, product placement and content production of the Company and/or its affiliates ("TVB Resource Packages") to Ztore Investment Limited ("Ztore") or to such other person as Ztore may nominate with a value of HK$130 million. On the other hand, the aggregate consideration in respect of the shares to be subscribed by SBPL is HK$35 million, to be satisfied in cash.

On the same day, Sunrise Investments further entered into a share purchase agreement with Ztore, pursuant to which Sunrise Investments will acquire and subscribe, and Ztore will issue 116,716,110 Series D Preferred Shares of Ztore, representing 75% of the issued share capital of Ztore on a fully-diluted basis for a total consideration of HK$200 million through capital injection into Ztore to be satisfied by a sum of HK$70 million in cash and a sum of HK$130 million in provision of TVB Resource Packages. The board of directors of Ztore will consist of five directors and three of which will be appointed by Sunrise Investments. In addition, Sunrise Investments and the existing shareholders of Ztore are respectively granted call and put options which entitle Sunrise Investments to purchase from the existing shareholders of Ztore, or the existing shareholders to sell to Sunrise Investments, the remaining 25% issued share capital in Ztore. Details of the call and put options are set out in Notes 13 and 22 to the consolidated financial statements.

After closing on 27 August 2021, Sunrise Investments and Ztore have become subsidiaries of the Company and the post-acquisition results would be consolidated into the Company's consolidated financial statements.

Ztore is an investment holding company and holds two operating subsidiaries which own and operate e-commerce platforms ztore.com and neigbuy.com. It is expected that the acquisition will create significant positive synergistic effects for both the Company and Ztore. The Company is expected to expand the scale of its e-Commerce business and to operate a more diversified e-Commerce business model with a larger customer base, a wider product offering, and more scalable online and offline networks.

Details of the purchase consideration for the acquisition are as follows:

| | 2021<br>HK$'000 |
|---|---|
| Purchase consideration (refer to (b) below): | |
| Cash paid | 70,000 |
| TVB Resource Packages | 130,000 |
| Total purchase consideration | 200,000 |

The fair value of the TVB Resource Packages as part of the consideration paid for Ztore was based on the market price of the related services and products.

## 39 BUSINESS COMBINATION (continued)

### (a) Summary of acquisition (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair value HK$'000 |
|---|---|
| Cash and cash equivalents | 59,195 |
| Intangible assets | 44,002 |
| Property, plant and equipment | 20,188 |
| Stocks | 29,288 |
| Trade receivables | 3,766 |
| Other receivables, prepayment and deposits | 112,000 |
| Trade and other payables and accruals | (54,661) |
| Borrowings | (60,000) |
| Lease liabilities | (15,457) |
| Deferred tax liabilities | (8,174) |
| Net identifiable assets assumed | 130,147 |
| Less: non-controlling interests | (32,537) |
| Add: Goodwill (Note 8) | 85,131 |
| Add: Financial assets at fair value through profit or loss | 17,259 |
| Net assets acquired | 200,000 |

The goodwill is attributable to the considerable scale of e-Commerce business with high gross merchandise value of the acquired business, which was important for the Group's future growth. It will not be deductible for tax purposes.

There were no acquisitions during the year ended 31 December 2020.

#### (i) Acquired receivables

The fair value of acquired trade receivables is HK$3,766,000. The gross contractual amount for trade receivables due is HK$3,766,000, with no loss allowance recognised on acquisition.

#### (ii) Accounting policy choice for non-controlling interests

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2.2(a) for the Group's accounting policies for business combinations.

## 39 BUSINESS COMBINATION (continued)

### (a) Summary of acquisition (continued)

#### (iii) Revenue and profit contribution

The acquired business contributed revenues of HK$183,400,000 and net loss of HK$72,442,000 to the Group for the period from 27 August 2021 to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and loss for the year ended 31 December 2021 would have been HK$3,160,488,000 and HK$724,520,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

### (b) Purchase consideration – cash outflow

| | Fair value<br>HK$'000 |
|---|---|
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration | 35,000 |
| Cash consideration from SBPL | 35,000 |
| Less: Cash balance acquired | (59,195) |
| Net outflow of cash – investing activities | 10,805 |

Acquisition-related costs of HK$5,511,000 that were not directly attributable to the issue of shares are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

## 40 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions as disclosed in Note 39(a) 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:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Sales of services/goods: | | |
| *Associates* | | |
| Talent fees | **7,402** | 615 |
| Computer graphic service fees | **240** | 950 |
| | **7,642** | 1,565 |
| Purchases of services: | | |
| *Associates* | | |
| Programme licensing fees | **(8,053)** | (11,234) |
| Talent fees | **(6,776)** | (5,416) |
| | **(14,829)** | (16,650) |

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

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **16,640** | 17,271 |
| Share-based payments | **(2,464)** | 2,459 |
| | **14,176** | 19,730 |

## 40 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

### (c) Balances with related parties arising from sales/purchases of services

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Receivables from associates | – | 128 |
| Payables to associates | (523) | (158) |
| Payables to a joint venture | (609) | – |

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Fund advanced to joint ventures | | |
| Beginning of the year | 20,231 | 20,231 |
| Repayment of fund advanced by a joint venture | (2,369) | – |
| Impairment of receivables from a joint venture | (131) | – |
| End of the year | 17,731 | 20,231 |
| Loan to a joint venture (including interest receivables) | | |
| Beginning of the year | 835,068 | 749,346 |
| Interest accrued | 100,492 | 89,252 |
| Exchange differences | 5,235 | (3,530) |
| End of the year | 940,795 | 835,068 |

Except for the loan and receivables from ITT with details disclosed in Note 9, the other balances due from/(to) related companies are unsecured, interest-free and have no fixed terms of repayment.

## 41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. These reclassifications have no impact on the Group's total equity as at 31 December 2021 and 2020, or on the Group's loss for the years ended 31 December 2021 and 2020.

## 42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **1,089,567** | 1,239,993 |
| Intangible assets | **58,490** | 61,270 |
| Interests in subsidiaries | **1,426,669** | 1,530,240 |
| Interests in joint ventures | **4,781** | 4,781 |
| Interests in associates | **174,000** | 174,000 |
| Bond securities at amortised cost | **205,270** | 440,895 |
| Deferred income tax assets | **274,291** | 131,765 |
| Prepayments | **38,392** | 18,700 |
| Total non-current assets | **3,271,460** | 3,601,644 |
| **Current assets** | | |
| Programmes and film rights | **1,116,742** | 1,037,814 |
| Stocks | **11,010** | 13,953 |
| Trade receivables | **339,909** | 367,459 |
| Other receivables, prepayments and deposits | **1,111,607** | 901,469 |
| Movie investments | **18,152** | 19,454 |
| Bond securities at amortised cost | **28,434** | 2,117,544 |
| Bank deposits maturing after three months | **57,408** | 1,938,188 |
| Cash and cash equivalents | **131,917** | 449,353 |
| Total current assets | **2,815,179** | 6,845,234 |
| **Total assets** | **6,086,639** | 10,446,878 |

Overview

Management Discussion and Analysis

Governance

Financials

## 42 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (a) Statement of financial position of the Company (continued)

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to equity holders of the Company** | | |
| Share capital | **664,044** | 664,044 |
| Other reserves (Note 42(b)) | **99,636** | 116,371 |
| Retained earnings (Note 42(b)) | **2,608,557** | 3,297,242 |
| **Total equity** | **3,372,237** | 4,077,657 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Lease liabilities | **15,870** | 6,247 |
| Borrowings | **–** | 1,934,958 |
| Total non-current liabilities | **15,870** | 1,941,205 |
| **Current liabilities** | | |
| Trade and other payables and accruals | **737,693** | 539,497 |
| Borrowings | **1,947,687** | – |
| Lease liabilities | **13,152** | 17,747 |
| Loan due to a subsidiary | **–** | 3,870,772 |
| Total current liabilities | **2,698,532** | 4,428,016 |
| **Total liabilities** | **2,714,402** | 6,369,221 |
| **Total equity and liabilities** | **6,086,639** | 10,446,878 |

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2022 and was signed on its behalf.

**Thomas Hui To**
Director

**Li Ruigang**
Director

## 42 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 1 January 2020 | 3,584,109 | 70,000 | 39,946 | 3,694,055 |
| Loss for the year | (201,879) | – | – | (201,879) |
| Share-based payments | – | – | 9,037 | 9,037 |
| Lapse of share options | 2,612 | – | (2,612) | – |
| Dividends paid | (87,600) | – | – | (87,600) |
| At 31 December 2020 | 3,297,242 | 70,000 | 46,371 | 3,413,613 |
| At 1 January 2021 | **3,297,242** | **70,000** | **46,371** | **3,413,613** |
| Loss for the year | **(702,914)** | – | – | **(702,914)** |
| Share-based payments | – | – | **(2,506)** | **(2,506)** |
| Lapse of share options | **14,229** | – | **(14,229)** | – |
| At 31 December 2021 | **2,608,557** | **70,000** | **29,636** | **2,708,193** |

## 43 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 23 March 2022.

## 44 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 |
| Art Limited | 10,000 | HK$10,000 | 100 | – | Film licensing and distribution |
| Big Big e-Commerce Group Limited | 1,085,867,759 | HK$2,474,893,304 | 100 | – | Investment holding |
| Big Big Channel Limited | 2 | HK$1,389,025,547 | 100 | – | Big Big e-Commerce 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 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 Anywhere SEA Limited | 2 | HK$2 | 100 | – | Investment holding |
| Ztore HK Limited (note (f)) | 100 | HK$100 | 61.875 | – | Sales of groceries through online platform |
| Neigbuy Limited (note (f)) | 100 | HK$100 | 61.875 | – | Sales of groceries through online platform |

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### Incorporated in other territories

| Name | Place of incorporation/ establishment | 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 |
| 广东采星坊演艺谘询服务有限公司 (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 |
| Big Big Channel Media Limited | Taiwan | 10,000,000 | NT$100,000,000 | 100 | – | Investment holding and provision of subscription television programmes |
| Voice Entertainment Limited | Taiwan | 3,000,000 | NT$30,000,000 | 100 | – | Property investment and production, licensing and sales of sound recordings and musical works |
| Sunrise Investments Global Limited (note (f)) | British Virgin Islands | 10,000 | US$10,000 | 82.5 | – | Investment holding |

## 44 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

### Incorporated in other territories (continued)

| Name | Place of incorporation/ establishment | 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 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 |
| TVB Satellite Platform, Inc. (note (a)) | USA | 300,000 | US$3,000,000 | 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 and provision of dealership services |
| 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. 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 2021.

(d) Represented ordinary share capital, unless otherwise stated.

(e) All principal subsidiaries are limited liability companies.

(f) These subsidiaries were newly incorporated or invested during the year ended 31 December 2021.

# BUSINESS STRUCTURE

## TVB
(Stock Code: 00511)

| Segment | Business Model | Product / Brand | Market |
|---|---|---|---|
| **Hong Kong TV Broadcasting (100%)** | Free-to-air broadcasting, production of programmes, dissemination of video content and music entertainment to streaming platforms and social media | Terrestrial channels (Jade, J2, TVB News, Pearl, TVB Finance & Information)<br>Voice Entertainment | Hong Kong |
| **OTT Streaming (100%)** | Video streaming business operates on a combination of subscription and advertising | myTV SUPER | Hong Kong |
| **e-Commerce Business (75% Ztore Group; 100% Big Big Shop)** | Operation of e-commerce platforms | Ztore, Neigbuy, Big Big Shop | Hong Kong |
| **Mainland China Operations (70% TVBC)** | Co-production of programmes, video streaming business and dissemination of content in third-party digital platforms | Mai Dui Dui | Mainland China |
| **International Operations (100%)** | Programme licensing, video streaming business and dissemination of content in third-party digital platforms | TVB Anywhere | Global |

| Associate | Joint Venture |
|---|---|
| Shaw Brothers Holdings (Stock Code: 00953) (11.98%) | Imagine Tiger Television (50%) |

Television Broadcasts Limited
電視廣播有限公司

TVB CITY, 77 CHUN CHOI STREET
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KOWLOON, HONG KONG



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