Television Broadcasts Limited
電視廣播有限公司
(Incorporated in Hong Kong with limited liability)
Stock Code: 00511

SUPPLEMENTAL ANNOUNCEMENT

Television Broadcasts Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to:

(i) its announcement dated 9 February 2023 in relation to Mai Dui Dui, a video platform in Mainland China that is effectively controlled by the Company through its subsidiary, 上海翡翠東方傳播有限公司 ("**TVBC**");

(ii) its announcements dated 19 January 2023 and 31 January 2023 in relation to the acquisition of additional voting rights in TVBC (the "**TVBC Transaction**");

(iii) its announcement dated 22 December 2022 in relation to the subscription of Class C units in Imagine Holding Company LLC ("**Imagine**") (the "**Imagine Subscription**"); and

(iv) the annual report for the year ended 31 December 2022 dated 20 April 2023 (the "**2022 Annual Report**") in relation to the promissory note issued by Imagine Tiger Television, LLC ("**ITT**") to the Group (the "**Promissory Note**") and the impairment loss on the Promissory Note of approximately HK$212 million for the financial year ended 31 December 2022 (the "**Impairment Loss**").

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report.

The Company noted market rumors in relation to Mai Dui Dui, the TVBC Transaction, the Imagine Subscription and the Impairment Loss. The Company confirms that these rumors are malicious and unfounded. As such, the Board wishes to provide certain additional information in relation to Mai Dui Dui, the TVBC Transaction, the Imagine Subscription and the Impairment Loss by way of this supplemental announcement.

MAI DUI DUI

As disclosed in its announcement dated 9 February 2023, the financial results of Mai Dui Dui are accounted for and consolidated in the Company's consolidated accounts, and the Company enjoys the full economic benefit of Mai Dui Dui's business activities commensurate with its level of ownership.

Mai Dui Dui is wholly owned by 廣州埋堆堆科技有限公司 ("**Guangzhou MDD**"), which is in turn wholly owned by 上海華人文化科技有限公司 ("**Shanghai CMC**"). Guangzhou MDD co-operates and partners with a licensed third party operator, who holds the relevant licence pursuant to Administration of Private Network and Targeted Communication Audiovisual Program Services issued by the National Radio and Television Administration, in accordance with the relevant laws and regulations in Mainland China.

As Mai Dui Dui is a video streaming platform in Mainland China, under the foreign investment policy in the PRC, foreign investors are restricted or prohibited from holding an equity interest in an entity conducting such business. As disclosed in the 2022 Annual Report, TVBC has entered into certain contractual arrangements ("**Contractual Arrangements**") with Guangzhou MDD and Shanghai CMC, such that TVBC has effective control over the finance, operations and economic benefits of Guangzhou MDD. The Contractual Arrangements include an exclusive business cooperation agreement, a voting rights proxy agreement, a call option agreement and an equity interest pledge agreement, in each case in favour of TVBC, as well as a loan agreement pursuant to which TVBC advanced the funds required for the purpose of funding the registered capital of Guangzhou MDD.

Such Contractual Arrangements have effectively transferred the risks and benefits of Guangzhou MDD and Shanghai CMC to TVBC. Other than the Contractual Arrangements, there is no other relationship between Guangzhou MDD and Shanghai CMC (on one hand) and the Company (on the other).

TVBC TRANSACTION

In addition to the reasons for and benefits of entering into the TVBC Transaction as set out in the Company's announcement dated 19 January 2023, the Board would like to supplement as follows:

1. The commercial rationale of the TVBC Transaction, which resulted in the reduction in Mr. Li's indirect voting interest in TVBC from 30% to 9%, was to accurately reflect the commercial reality that existed prior to the TVBC Transaction, which is the Company makes all decisions in relation to the operation and business of TVBC.

2. According to the articles of association of TVBC, certain key matters relating to the governance of TVBC are reserved matters subject to the approval by a supermajority of 75% of shareholders voting at a general meeting. As a result of the TVBC Transaction, the Group has increased its shareholder voting power over TVBC from 70% to 91%, thereby acquiring a full voting control over such supermajority reserved matters. As such, the TVBC Transaction materially strengthens the Company's governance rights over TVBC.

3. The acquisition of additional voting rights in TVBC enabled the Company to acquire additional governance rights in TVBC at nominal cost. The Directors consider that the TVBC Transaction is on better-than-commercial terms, and in the interest of the Company and its shareholders as a whole.

IMAGINE SUBSCRIPTION

In addition to the reasons for and benefits of entering into the Imagine Subscription as set out in the Company's announcement dated 22 December 2022, the Board would like to supplement as follows:

1. Neither Imagine nor ITT is under any legal obligation to repay any portion of the Promissory Note prior to its maturity in July 2032. As such, the capital return of US$35 million made by ITT to TVB Venture in December 2022 was the result of a commercial negotiation between the Company and Imagine, mainly driven by the Company's desire to reallocate ITT's idle cash to invest directly in Imagine, and to the Company's other purposes.

2. Imagine is a successful player in the US film and TV industry and has a valuable library of film and TV intellectual property titles (such as *Apollo 13*, *Liar Liar*, *A Beautiful Mind*, *Da Vinci Code*) which generates significant re-run and syndication income for Imagine. Imagine also has a sizable production-for-hire business, whereby it produces commissioned works for third parties for which it generally charges on a cost-plus basis. Notwithstanding the slowing of its scripted drama production business under the deficit-financing model (which ITT was created to help finance), Imagine's other businesses have continued to perform well, and continued to generate the majority of Imagine's total revenue. The Directors considered the Imagine Subscription to be an attractive investment, with better prospect of delivering returns for the Company than to leaving idle cash at ITT. The Company therefore invested in Imagine with a view to participating financially in Imagine's continued success and developing a strategic relationship with Imagine that could potentially bring benefits in the future.

IMPAIRMENT LOSS

Events and circumstances leading to the recognition of the Impairment Loss

Over the past several years, as the buying activity of streaming platforms came to dominate the US market for premium TV content, the Company has noted a decline in the availability of suitable new deficit-financing projects in scripted TV drama for its US-based joint venture, ITT.

Nevertheless, up until the end of 2021, ITT had a strong pipeline of ongoing projects that had already enjoyed strong first-season showings. Key among these was the TV drama series *Why Women Kill*, which had aired for two seasons in 2019 and 2021 to critical acclaim and was scheduled to enter a third season of production later in 2022. As a result, the Company believed ITT would continue to deliver sufficient cashflows to support its obligations under the Promissory Note while awaiting a recovery in the market for new projects.

In early 2022, the Company also initially believed that deficit-financing project opportunities in scripted drama, which for decades had been the primary financing model for TV drama financing in the US, and which ITT had been specifically set up to pursue, would return within 1-2 years.

However, in July 2022, the Company learned that the third season of *Why Women Kill* had been discontinued by its platform partner, Paramount, for financial reasons. By the end of 2022, efforts by the management of ITT to seek alternative partners had also not succeeded. As the *Why Women Kill* series had been expected to continue for several more seasons, the Company viewed that its discontinuation in 2022 would significantly impact the future operating cashflows of ITT. Furthermore, the Company also reassessed its view of the US TV market and expected the difficult market conditions for deficit-financing projects to last not 1-2 years, but 3-5 years. As a result of the foregoing, the Company assessed that the credit risk of the Promissory Note had increased significantly at the end of 2022.

Valuation methodology

As set out in Note 2.10 "*Impairment of financial assets*", Note 3.1(b) "*Financial risk factor – Credit risk*" and Note 9 "*Interests in Joint Ventures*" of the 2022 Annual Report, the Company assessed its provision for impairment loss of its debt instruments using the expected credit loss ("**ECL**") model in accordance with HKFRS 9 Financial Instruments. The key measuring parameters and inputs of ECL include probability of default ("**PD**") and the loss given default ("**LGD**").

The Company adopted the PD and the LGD of the credit ratings based on the factors specified in Moody's average cumulative issuer-weighted global default rates report (1998-2021). The PD and the LGD extracted from the Moody's report are assumed to be unbiased. The Company considered various factors in determining the PD and the LGD of the Promissory Note, including the scale of the business, business model, financial performance, financial position, market share trajectory and financial policy of ITT and adjusted for forward-looking information like the future development plan of ITT.

Based on the aforementioned assessment, the accumulated lifetime ECL provision on the Promissory Note amounting to HK$225 million was provided as at 31 December 2022.

A table setting out the details of the impairment review conducted by the Company is set out below:

	Year ended 31 December 2022	**Year ended 31 December 2021**
Assessed prospects at end of year	Difficult market for scripted drama in medium term 3-5 years; current projects under risk of cancellation; add documentaries to the business scope	Difficult market for scripted drama in near term 1-2 years; however, projects already in production will perform well and deliver returns
Promissory Note Carrying Value	HK$781 million	HK$941 million
ECL stage of measurement	Stage 2	Stage 1
ECL rate assumed	28.8%	1.4%
Impairment provision (cumulative)	HK$225 million	HK$14 million

The Impairment Loss of HK$211,800,000 on the carrying value of the Promissory Note was reviewed, discussed and agreed by the Board (including the audit committee of the Board) in conjunction with its approval of the 2022 audited financial statements of the Company.

By order of the board
CHAN Shu Hung
Acting Company Secretary

Hong Kong, 14 July 2023

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

Executive Chairman
Thomas HUI To

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

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