Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

ANNOUNCEMENT OF 2023 ANNUAL RESULTS

RESULTS HIGHLIGHTS

For the year ended 31 December 2023 (the "Year")

- Total revenue of core TV-related businesses (excluding e-Commerce segment) increased by HK$114 million or 4% to HK$2,837 million driven mainly by revenue growth in our Hong Kong TV Broadcasting and Mainland China Operations segments.

- Group revenue decreased by HK$263 million or 7% from HK$3,586 million to HK$3,323 million in 2023 mainly due to the decline in e-Commerce segment revenue.

- Nevertheless, Group EBITDA loss narrowed by HK$198 million to HK$140 million (2022: EBITDA loss of HK$338 million) as cash operating costs excluding depreciation and amortisation for the Year fell by HK$458 million, more than the HK$263 million decline in Group revenue.

- The Group's performance also improved sequentially from an EBITDA loss of HK$186 million in the first half of the Year to a positive EBITDA of HK$46 million in the second half of the Year, due to stronger revenue and greater cost savings in the second half of the Year.

- Loss attributable to equity holders of the Company was reduced by HK$44 million to HK$763 million (2022: HK$807 million) mainly due to the HK$198 million improvement in EBITDA which was partially offset by certain writedowns of legacy and discounted assets and our cessation in recognising income tax credit during the Year. Loss per share for the Year was HK$1.74 (2022: HK$1.84).

- Excluding the impact of extraordinary items of a non-operating nature, our adjusted loss attributable to equity holders of the Company was HK$607 million (2022: HK$679 million), and adjusted loss per share was HK$1.39 (2022: HK$1.55).

- The Board did not recommend the payment of a dividend for the Year (2022: nil).

BUSINESS HIGHLIGHTS

- In 2023, we maintained our leadership position as Hong Kong's largest TV content creator and broadcaster, with our flagship channel Jade, 24-hour TVB news, and others capturing an aggregate 79% market share of viewership[1].

- Despite a sluggish Hong Kong advertising market in 2023, our Hong Kong TV Broadcasting segment achieved 8% growth in revenue during the Year, helped by a 9% rise in income from advertisers. Our successful programmes such as *The Queen of News* (新聞女王), *Midlife, Sing & Shine!* (中年好聲音) and others helped bring in advertisers for premium and luxury goods and banking/financial services, including many returning clients who had not advertised with us for some time. As a result, we achieved 32% higher unit rates for our Jade channel prime time TV advertising slots in 2023, compared to the previous year.

- During the Year our drama series *The Queen of News* (新聞女王), co-produced with Youku, was a sensational hit among audiences in Hong Kong and mainland China. In Hong Kong, the series achieved an average consolidated TV rating of 26.9 TVRs, making it the territory's most-watched drama series of 2023. On the Youku platform, the series achieved one of the highest pre-order rates of any Hong Kong drama, and was one of the most watched and searched Hong Kong drama titles on the platform in 2023.

- Revenue for our OTT segment increased by 2% to HK$356 million, driven by growth in advertising income, as more advertisers took advantage of the broad reach of our myTV SUPER streaming platform, which had 2 million average monthly active users for the both years of 2023 and 2022.

- e-Commerce revenue declined by 44% to HK$486 million as this segment was affected by a weak local retail market and shifts in consumer habits. We responded by reducing operating costs, and focusing on higher margin products. In the latter part of the Year, we also merged our Ztore platform with Neigbuy to enhance efficiency.

- Mainland China Operations revenue increased by 4% to HK$729 million, primarily driven by higher revenue from our drama co-production and multi-channel network (MCN) businesses. Drama co-production revenue grew by 72% after we signed co-production agreements with Youku and Tencent. Meanwhile, our MCN business achieved a total Gross Merchandise Volume (GMV) of over RMB570 million for the Year.

- Since the beginning of the Year, we have implemented measures to reduce operating costs. Overall, total cash operating costs of the Group came down by HK$458 million or 12% to HK$3,470 million for the Year (2022: HK$3,928 million). Of this, general and administrative expenses came down by HK$125 million during the Year; and we ended the Year with 3,496 employees, or 13% less than our headcount a year ago.

[1] *Source:* CSM Media Research; based on average weekday prime time (19:00–23:00) TV Rating (TVRs) points.

OUTLOOK

- While conditions remain challenging in 2024, we are cautiously optimistic that our Hong Kong TV Broadcasting business segment will see continued growth and recovery in this year. Our 2024 "early bird" pre-commitment campaign in December 2023 yielded double-digit growth in advance bookings for our 2024 TV advertising packages compared to the previous year, which is a positive indicator of demand for our TV advertising slots. In addition to traditional TV airtime-based advertising, we are also further growing our digital advertising income from our various digital assets including myTV SUPER, and expect to achieve strong double-digit growth in digital advertising income in 2024.

- The Greater Bay Area ("GBA") is also a key growth area. We have recently negotiated new terms with our signal carriage partner in Guangdong which enables us to jointly sell advertising spots on our Jade and Pearl channel broadcast feeds. This enables us to sell TV advertising on a cross-border basis to advertisers who wish to reach a GBA-wide audience. At the same time, we have also established a subsidiary in Macau, as we see a growing business opportunity from gaming resorts who wish to broaden their entertainment offerings.

- In terms of our terrestrial TV channel offerings, we are transitioning from our current 5-channel lineup to a slimmed-down 4-channel lineup in the second quarter of 2024, subject to regulatory approval. In this regard, we are merging our current J2 and TVB Finance, Sports & Information (FSI) channels into a new "TVB Plus" channel that will feature a combination of young audience, sports and information programmes. As a result, we expect to save approximately HK$100 million a year in content and other operating costs.

- Mainland China remains an important growth driver for our Group in 2024. In drama co-production, we have just announced expanded partnerships with Youku and Tencent Video that will see us produce more dramas, including the hotly anticipated *The Queen of News 2* for the mainland market over the next two years.

- On the MCN front, we are gradually expanding our artiste livestream sessions on Taobao and Douyin, and also our social media advertising business this year. In this respect, we continue to leverage our TVB brand and artistes to create new income streams outside of our core TV platforms and content production.

- Lastly, we continue to optimise our cost structure in this coming year. Content costs will be closely monitored, and general and administrative overheads kept under tight control. As a result, we expect to achieve positive EBITDA over the whole year of 2024.

KEY FINANCIALS

	2023 HK$'000	2022 HK$'000
Revenue	**3,322,778**	3,585,750
- Hong Kong TV Broadcasting	**1,397,063**	1,294,099
- OTT Streaming	**355,975**	349,405
- e-Commerce Business	**486,095**	862,595
- Mainland China Operations	**728,766**	697,777
- International Operations	**354,879**	381,874
Total operating costs	**3,843,662**	4,355,628
- Cost of sales	**2,299,489**	2,578,029
- Selling, distribution and transmission costs	**710,431**	818,258
- General and administrative expenses	**833,742**	959,341
EBITDA	**(140,278)**	(338,407)
- Hong Kong TV Broadcasting	**(271,971)**	(513,750)
- OTT Streaming	**84,033**	65,847
- e-Commerce Business	**(49,205)**	(100,153)
- Mainland China Operations	**63,112**	159,407
- International Operations	**33,753**	50,242
Reconciliation from EBITDA to loss before income tax:		
EBITDA	**(140,278)**	(338,407)
Depreciation and amortisation	**(373,365)**	(427,252)
Finance costs	**(146,687)**	(81,098)
Interest income	**95,659**	124,560
Impairment losses	**(234,975)**	(240,517)
Others	**(18,822)**	351
Loss before income tax	**(818,468)**	(962,363)
Income tax (expense)/credit	**(19,701)**	76,428
Loss for the Year	**(838,169)**	(885,935)
Loss attributable to equity holders of the Company	**(762,796)**	(807,132)
Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the Year	**HK$(1.74)**	HK$(1.84)
Adjusted loss attributable to equity holders of the Company (excluding the effect of extraordinary items of a non-operating nature)	**(606,839)**	(679,259)
Adjusted loss per share (basic and diluted) for loss attributable to equity holders of the Company during the Year	**HK$(1.39)**	HK$(1.55)

FINANCIAL REVIEW

Revenue of the Group increased in the key segments of Hong Kong TV Broadcasting, OTT Streaming and Mainland China Operations, which grew by HK$103 million, HK$7 million and HK$31 million respectively, collectively reflecting an aggregate 6% growth. However, revenue of our e-Commerce segment fell markedly by HK$377 million, and our International Operations segment revenue also suffered a HK$27 million decline. As a result, total revenue of the Group declined by 7% or HK$263 million from HK$3,586 million to HK$3,323 million.

Cost of sales decreased from HK$2,578 million to HK$2,299 million, a decrease of 11%. This was mainly due to the decline in sales of our e-Commerce business, which led to a reduction in the cost of goods sold. Additionally, we implemented cost savings initiatives to reduce our content cost by adjusting the volume and nature of our content production, discontinuing lower-impact programmes and triming our staff costs and overheads.

Selling, distribution and transmission costs decreased from HK$818 million to HK$710 million, a decrease of 13%. This was mainly due to distribution cost savings in our e-Commerce business segment.

General and administrative expenses decreased by 13% from HK$959 million to HK$834 million. This was due to cost-saving measures implemented during the Year, including headcount reductions, particularly in the Hong Kong TV Broadcasting and e-Commerce segments.

Overall, total costs (comprising cost of sales, selling, distribution and transmission costs and general and administrative expenses) decreased by HK$512 million or 12% from HK$4,356 million to HK$3,844 million, as a result of the above factors.

Other revenues decreased from HK$52 million in 2022 to HK$21 million in 2023. This was mainly due to a one-off wage subsidy from the Hong Kong government, which amounted to HK$37 million in 2022, and was not repeated in 2023.

Other net losses of HK$35 million (2022: HK$51 million), comprising changes in the fair values of a financial asset and a financial liability at fair value through profit or loss, gain on disposal of other financial assets at amortised cost and exchange losses recognised during the Year.

Due to the above factors, the Group's negative EBITDA for the Year reduced substantially by 59% to HK$140 million, from HK$338 million in 2022. On a sequential basis, the Group's performance also improved from an EBITDA loss of HK$186 million in the first half of the Year to a positive EBITDA of HK$46 million in the second half of the Year.

OUTLOOK

- While conditions no doubt remain challenging in 2024, we are cautiously optimistic that our Hong Kong TV Broadcasting business segment will see continued growth and recovery in this year. Our 2024 "early bird" pre-commitment campaign in December 2023 yielded double-digit growth in advance bookings for our 2024 TV advertising packages compared to the previous year, which is a positive indicator of demand for our TV advertising slots. In this regard, we are working hard to build further on our success in 2023 in bringing back more blue-chip and premium advertising accounts to our TV platform. We continue to believe that our terrestrial TV channels, with their broad and direct reach into Hong Kong's households, offer a compelling proposition to advertisers who desire to maintain or expand their share of Hong Kong consumers' hearts, minds and wallets. In addition to traditional TV airtime-based advertising, we are also further growing our digital advertising income from our various digital assets including myTV SUPER, and expect to achieve strong double-digit growth in digital advertising income in 2024.

- The Greater Bay Area ("GBA") is also a key growth area for TVB, as Hong Kong integrates ever more closely into this large and economically vibrant grouping of adjacent cities. For many years, our Jade and Pearl terrestrial TV channels have been broadcast to viewers in this area through a signal carriage arrangement with our mainland partner. However, we have recently negotiated new terms with our partner which enables us to jointly sell and monetise the advertising spots on our mainland broadcast feed. This opens up our terrestrial TV advertising to cross-border advertisers on both sides of the border who wish to reach a GBA-wide audience. At the same time, we have also established a subsidiary in Macau, as we see a growing business opportunity from gaming resorts who wish to broaden their entertainment offerings. In January 2024, we held our annual *TVB Awards Presentation* (萬千星輝頒獎典禮) show in the Grand Lisboa Macau, under their title sponsorship.

- In terms of our terrestrial TV channel offerings, while Jade (channel 81) remains our flagship channel with the largest audience share, we are creating a new TVB Plus channel on our channel 82 currently occupied by J2. Subject to regulatory approval, we expect TVB Plus will be on air from the second quarter of 2024, and will feature a combination of young audience, sports and information programmes designed to appeal to a diverse audience. Importantly, our programmes on TVB Plus will be closely integrated with our digital media properties such as myTV SUPER, TVB News app, TVB social media accounts and Neigbuy e-commerce platform to create a different viewer experience. The current J2 as well as TVB Finance, Sports & Information channel (channel 85) will thus be discontinued. With this slimmer 4-channel lineup, we believe the overall value proposition to both our audiences and advertisers is enhanced. At the same time, we expect to save approximately HK$100 million a year in content and other operating costs.

- Mainland China remains an important growth driver for our Group, with our drama co-production and MCN businesses thriving. The recent success of *The Queen of News* further cements our position as a leading producer of Hong Kong dramas for the mainland China market. Subsequent to the existing two-year co-production agreement for drama titles we signed with Youku in 2023, we have recently entered into another co-production agreement for additional drama projects, including the highly anticipated *The Queen of News* 2, which we will begin filming early next year. Similarly, our co-production partnership signed last year with Tencent Video has also been expanded, following the demonstrable success of Hong Kong dramas in the mainland market.

- On the MCN front, we are gradually expanding our artiste livestream sessions on Taobao and Douyin, and also our social media advertising business this year. In this respect, we continue to leverage our TVB brand and artistes to create new income streams outside of our core TV platforms and content production.

- Our many growth initiatives notwithstanding, we continue to optimise our cost structure in this coming year. In terms of content cost, we remain highly disciplined with programme budgets, and we act quickly to discontinue or reformat shows that do not meet expectations on viewership or impact. General and administrative overheads will also be kept under tight control. As a result, we expect to achieve positive EBITDA over the whole year of 2024.

SEGMENT RESULTS

Hong Kong TV Broadcasting

For the year ended 31 December	**2023 HK$ million**	2022 HK$ million	**Year-on-year change**
Segment revenue	**1,397**	1,294	8%
Segment EBITDA	**(272)**	(514)	47%

Hong Kong TV Broadcasting segment mainly comprises our broadcast television, digital media and music businesses.

Segment revenue from Hong Kong TV Broadcasting increased from HK$1,294 million to HK$1,397 million, a growth of HK$103 million or 8%. This was primarily driven by income from advertisers which grew by HK$102 million or 9% from HK$1,178 million to HK$1,280 million. Meanwhile, we implemented a number of cost saving initiatives during the Year, which resulted in an overall 8% reduction in cash operating cost (excluding depreciation and amortisation) for this segment. Content cost, the largest cost category, fell 13%. With the growth in revenue and decrease in cost, this segment's negative EBITDA improved by HK$242 million or 47%, from HK$514 million in 2022 to HK$272 million in 2023.

OTT Streaming

For the year ended 31 December	**2023 HK$ million**	2022 HK$ million	**Year-on-year change**
Segment revenue	**356**	349	2%
Segment EBITDA	**84**	66	27%

OTT Streaming segment represents myTV SUPER streaming service in Hong Kong, which earns both advertising and subscription revenue. During the Year, the number of subscribers of our premium service pack, myTV Gold, increased by 21% to 193,270 as at 31 December 2023, compared to 159,300 as at 31 December 2022.

Segment revenue from OTT Streaming was stable, with a slight increase of HK$7 million or 2%, from HK$349 million to HK$356 million. In this regard, the advertising component of this segment's revenue grew by 35%, offsetting a slight decline in subscription income during the Year as a result of changes we made in our bundled subscription plans distributed by local telco partners. EBITDA improved from HK$66 million to HK$84 million as a result of content and overhead cost savings.

e-Commerce Business

For the year ended 31 December	2023 HK$ million	2022 HK$ million	Year-on-year change
Segment revenue	**486**	863	–44%
Segment EBITDA	**(49)**	(100)	51%

Segment revenue from e-Commerce fell markedly from HK$863 million to HK$486 million, representing a decline of HK$377 million or 44%. This was primarily due to the reduced demand for essentials, groceries, and daily household necessities as Hong Kong's consumers returned to traditional physical shopping habits after the pandemic, with an increasing number traveling to neighboring Shenzhen in search of shopping value and more choices. We responded by reducing operating costs and overheads, and focusing on selling higher margin products. In December 2023, we also merged Ztore platform with Neigbuy to increase operating efficiency. This enabled us to achieve a smaller EBITDA loss of HK$49 million, compared to HK$100 million in 2022, despite the fall in revenue.

Mainland China Operations

For the year ended 31 December	2023 HK$ million	2022 HK$ million	Year-on-year change
Segment revenue	**729**	698	4%
Segment EBITDA	**63**	160	–61%

Mainland China Operations mainly comprises drama co-production and licensing of our simulcast drama and library content to major streaming platforms in mainland China. In addition, we operate our own direct-to-consumer (DTC) content streaming service and multi-channel network (MCN) business under Mai Dui Dui umbrella. During the Year, we entered into a livestreaming partnership with mainland e-commerce platform Taobao.

Segment revenue from Mainland China Operations increased by 4% from HK$698 million to HK$729 million. This was mainly driven by the increase in revenue from drama co-production after we signed multi-year content supply deals with Youku and Tencent Video in March and August 2023, respectively. Despite the rise in segment revenue, EBITDA in this segment decreased by 61% from HK$160 million to HK$63 million which was due to a decrease in revenue of our content licensing business as a result of fewer simulcast dramas distributed during the Year.

International Operations

For the year ended 31 December	2023 HK$ million	2022 HK$ million	Year-on- year change
Segment revenue	**355**	382	–7%
Segment EBITDA	**34**	50	–32%

International Operations refers to our business activities around the world outside of Hong Kong and mainland China. This segment comprises programme licensing to pay-TV partners, our TVB Anywhere streaming service, and our social media channels and accounts that serve our international audience.

Segment revenue from International Operations decreased from HK$382 million to HK$355 million as traditional licensing income from pay-TV partners declined, though this was partially mitigated by a modest increase in revenue from our social media and YouTube channels. Overall, this segment recorded a drop in EBITDA of HK$16 million from HK$50 million in 2022 to HK$34 million in 2023.

INTEREST INCOME

Interest income totalled HK$96 million for the Year (2022: HK$125 million), primarily consisting of interest income of HK$87 million (2022: HK$113 million) derived from the promissory note with Imagine Tiger Television, LLC ("ITT"), as well as interest income obtained from fixed bank deposits.

FINANCE COSTS

Finance costs mainly comprised interest expenses on (i) HK$1,567 million term loan with Shanghai Commercial Bank drawn down in July 2020, (ii) other bank loan, convertible bonds and other borrowings. Finance costs increased from HK$81 million to HK$147 million, mainly due to higher interest rates particularly in relation to (i) which bears an interest rate linked to HIBOR.

IMPAIRMENT LOSSES

Interest in an associate – Shine Investment Limited

During the Year, the Group recognised an impairment loss of HK$126 million in our consolidated income statement in respect of our investment in an associate, Shine Investment Limited.

Shine Investment Limited, in which the Group holds a 40% interest, is an investment holding company that in turn holds a 29.94% stake in Shaw Brothers Holdings Limited ("SBHL"), a company which produces and distributes TV and film content, and manages artistes. SBHL is listed on The Stock Exchange of Hong Kong Limited under the stock code 0953.

The Group regularly monitors the operational and financial performance of its associates. We have noted that SBHL's financial performance has declined in 2022, and it has incurred net losses attributable to shareholders since that financial year. Management had anticipated a financial recovery for SBHL following the lifting of pandemic restrictions in early 2023. However, this has not materialised to the expected extent. Hence, while we note that SBHL's board of directors and management team are working proactively to improve the company's performance, the Group has assessed that in view of the circumstances, and in consideration of the declined financial results, coupled with recent trading value of the shares of SBHL, it is appropriate to adjust the recoverable value of our investment in Shine Investment Limited to HK$34 million as at 31 December 2023, or HK$126 million less than our original carrying value of HK$160 million.

Receivables from a joint venture – ITT

As at 31 December 2023, the total carrying value of our Promissory Note in ITT was HK$790 million (2022: HK$781 million), inclusive of interest income of HK$87 million (2022: HK$113 million) recognised during the Year. During the Year, the industrial action by writers and actors in the filmed entertainment industry of the United States caused a slowdown in TV production activity. Although the action ended in late 2023, financial performance of the ITT was temporarily affected by the lack of production. Considering these factors, a higher Expected Credit Loss ("ECL") rate of 39.4% has been applied to the total carrying value of the Promissory Note (2022: 28.8%). This resulted in an additional provision of HK$86 million for the Year and a corresponding increase in the accumulated lifetime ECL provision on the carrying value of the Promissory Note to HK$312 million.

Intangible asset – "Ztore" tradename

During the Year, we restructured our e-Commerce business segment by merging our Ztore online platform with Neigbuy. The Ztore website and mobile application ceased operations in December 2023. The tradename of Ztore is no longer actively used, and the probability of arising of economic benefits associated with Ztore's tradename was considered remote. Consequently, management has considered it appropriate to fully write down the carrying amount of the "Ztore" tradename, which resulted in an impairment loss of HK$16 million recognised in the consolidated income statement during the Year.

CHANGE IN FAIR VALUE OF A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL")

The financial asset at FVPL represents a call option granted to the Group by the Ztore Group in conjunction with its acquisition by the Group in 2021. This call option would have enabled the Group to increase the controlling stake in the Ztore Group at a pre-determined price, subject to certain conditions and business indicators being met. An independent valuer was engaged to conduct an assessment on the fair value of the call option using binomial option pricing model with reference to the recent financial performance of Ztore Group and other market reference points. According to the assessment result, the fair value of the call option was determined at HK$0.03 million as at 31 December 2023, or HK$17 million less than its original carrying value. As a result, a change in the fair value of a financial asset at FVPL of HK$17 million has been recognised as a charge in the consolidated income statement during the Year.

INCOME TAX

The Group recorded an income tax expense of HK$20 million (2022: income tax credit of HK$76 million). The difference between our income tax expense/credit in 2023 and 2022 was mainly due to our cessation in recognising deferred income tax assets arising from the tax losses of our Hong Kong TV Broadcasting segment for the Year.

Hong Kong profits tax has been provided at the rate of 16.5% (2022:16.5%) 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 operated.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS

The Group's loss attributable to equity holders of the Company for the Year totalled HK$763 million, or an improvement of HK$44 million or 5% from HK$807 million in 2022.

Excluding the effect of extraordinary items of a non-operating nature such as impairment losses on the interest in an associate; intangible assets and changes in the fair values of financial and derivative instruments, the Group's adjusted loss attributable to equity holders of the Company would otherwise be HK$607 million, or an improvement of HK$72 million (11%) from HK$679 million in 2022.

LOSS PER SHARE

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$763 million (2022: HK$807 million). The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share throughout the year ended 31 December 2023 was 438,122,000 (2022: 438,000,000), giving a basic and diluted loss per share of HK$1.74 (2022: loss per share of HK$1.84).

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the year ended 31 December 2023.

DIVIDENDS PER SHARE

The Board of Directors did not recommend the payment of a dividend for the year ended 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the total equity of the Group was HK$2,739 million (31 December 2022: HK$3,604 million). The share capital of the company increased from 438,000,000 to 438,218,000 ordinary shares in issue due to the exercise of share options under the share option scheme.

As at 31 December 2023, the Group had unrestricted bank and cash balances of HK$714 million (31 December 2022: HK$1,020 million). About 45% of the unrestricted bank and cash balances (approximately HK$321 million) were maintained in overseas subsidiaries to support daily operations. Unrestricted bank and cash balances held by the Group were denominated mainly in Hong Kong dollars, Renminbi and US dollars.

As at 31 December 2023, the Group's net current assets amounted to HK$2,037 million (31 December 2022: HK$2,298 million). The current ratio, expressed as the ratio of current assets to current liabilities, was 2.2 at 31 December 2023 (31 December 2022: 2.3).

As at 31 December 2023, bank borrowings totalled HK$1,731 million (31 December 2022: HK$2,150 million) which mainly consisted of the HK$1,567 million term loan with Shanghai Commercial Bank. Additionally, there were other borrowings of HK$464 million and convertible bonds of HK$93 million. As at 31 December 2023, the Group's gearing ratio, expressed as a ratio of net debt to total equity, was 59.0% (31 December 2022: 34.4%).

BOND PORTFOLIO

As at 31 December 2023, the Company's portfolio of fixed income securities, net of expected credit losses amounted to HK$24 million (31 December 2022: HK$30 million), which were classified under "Bond securities at amortised cost". Issuers of these securities include listed or unlisted companies in Hong Kong and overseas. No bond securities were disposed of or redeemed during the Year (2022: a gain of HK$0.1 million).

As at 31 December 2023, the investment portfolio consisted of fixed income securities of four (31 December 2022: four) separate issuers, of which the bonds issued by Master Glory Group Limited and SMI Holding Group Limited had been fully impaired in prior years. There was no interest income (2022: HK$4.3 million) recognised during the Year from the bond securities at amortised cost.

In the process of winding down the bond portfolio, further non-cash impairment losses of HK$6 million (2022: HK$29 million) were recognised for the remaining two legacy bonds during the Year. These additional impairment losses were made after considering the credit risk of the bond portfolio and the latest development of certain credit-impaired bond securities.

CONVERTIBLE BONDS

On 16 August 2023, the Company entered into a subscription agreement (the "Subscription Agreement") with Cardy Oval Limited (the "Investor"). Pursuant to this agreement, the Company agreed to issue and the Investor has agreed to subscribe for convertible bonds in an aggregate principal amount of HK$156 million (the "Convertible Bonds") at an initial conversion price of HK$4.45 per conversion share. Based on the initial conversion price, a total of 35,056,164 conversion shares would be allotted and issued upon exercise in full of the conversion right attached to the Convertible Bonds, representing (i) approximately 8.00% of the existing issued share capital of the Company as of the date of this announcement; and (ii) approximately 7.41% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares upon full conversion of the Convertible Bonds at the initial conversion price, assuming that no other shares are allotted and issued.

The issuance of the Convertible Bonds was completed on 6 September 2023 with net proceeds of approximately HK$155 million which was used for general corporate purposes. Any amounts of the Convertible Bonds which remain outstanding shall carry interest at the rate of 3.5% per annum compounding annually. Any accrued but unpaid interest will be paid semi-annually in arrears in the sixth month after the completion date and in every sixth month thereafter to and including the earlier of (i) the due date for redemption of the Convertible Bonds and (ii) the fifth anniversary of the completion date ("Maturity Date").

For further details, please refer to the announcements of the Company dated 16 August 2023 and 8 September 2023.

CAPITAL COMMITMENTS

At 31 December 2023, the Group had capital commitments totalling HK$30 million (2022: HK$78 million), mainly for the enhancement or replacement of transmission and production related equipments.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	2	**3,322,778**	3,585,750
Cost of sales		**(2,299,489)**	(2,578,029)
Gross profit		**1,023,289**	1,007,721
Other revenues	2	**21,366**	52,165
Interest income	2	**95,659**	124,560
Selling, distribution and transmission costs		**(710,431)**	(818,258)
General and administrative expenses		**(833,742)**	(959,341)
Other losses, net		**(34,591)**	(51,070)
Finance costs	4	**(146,687)**	(81,098)
Reversal of impairment loss on trade and other receivables		**1,713**	3,253
Impairment loss on receivables from a joint venture	9	**(86,300)**	(211,800)
Impairment loss on intangible assets		**(16,454)**	–
Impairment loss on other financial assets at amortised cost		**(6,221)**	(28,717)
Impairment loss on interest in an associate		**(126,000)**	–
Share of (losses)/profits of associates		**(105)**	24
Share of profits of joint ventures		**36**	198
Loss before income tax	5	**(818,468)**	(962,363)
Income tax (expense)/credit	6	**(19,701)**	76,428
Loss for the year		**(838,169)**	(885,935)
Loss attributable to:			
Equity holders of the Company		**(762,796)**	(807,132)
Non-controlling interests		**(75,373)**	(78,803)
		(838,169)	(885,935)
Loss per share (basic and diluted) for loss attributable to equity holders of the Company during the year	7	**HK$(1.74)**	HK$(1.84)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK$'000	HK$'000
Loss for the year	**(838,169)**	(885,935)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations		
– Subsidiaries	**(14,941)**	(45,579)
– Joint ventures	**(60)**	(290)
Share of other comprehensive loss of an associate	**(4,463)**	(13,828)
Change in fair value of equity instruments at FVOCI	**(11,315)**	(11,590)
Reclassification adjustments of exchange differences to profit or loss on liquidation of subsidiaries	**27**	31
Other comprehensive losses for the year, net of tax	**(30,752)**	(71,256)
Total comprehensive loss for the year	**(868,921)**	(957,191)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(789,208)**	(865,165)
Non-controlling interests	**(79,713)**	(92,026)
Total comprehensive loss for the year	**(868,921)**	(957,191)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	**2023**	2022
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,071,781**	1,277,936
Investment properties		**1,653**	1,896
Intangible assets		**211,448**	255,145
Goodwill		**85,131**	85,131
Interests in joint ventures	9	**479,289**	556,863
Interests in associates		**33,591**	164,159
Financial assets at fair value through other comprehensive income		**150,364**	161,634
Bond securities at amortised cost	10	**24,238**	30,425
Financial assets at fair value through profit or loss		**28**	17,259
Deferred income tax assets		**381,447**	391,102
Prepayments		**33,757**	36,660
Total non-current assets		**2,472,727**	2,978,210
Current assets			
Programmes and film rights		**1,579,245**	1,546,023
Stocks		**30,720**	96,216
Trade receivables	11	**867,598**	840,052
Other receivables, prepayments and deposits		**508,104**	474,453
Movie investments		**73,582**	73,582
Tax recoverable		**3,458**	16,253
Bank deposits maturing after three months		**54,863**	56,397
Cash and cash equivalents		**658,832**	963,862
Total current assets		**3,776,402**	4,066,838
Total assets		**6,249,129**	7,045,048
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**665,227**	664,044
Other reserves		**(11,886)**	931
Retained earnings		**2,098,193**	2,834,042
		2,751,534	3,499,017
Non-controlling interests		**(12,354)**	105,218
Total equity		**2,739,180**	3,604,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2023

	Note	**2023** **HK$'000**	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	**1,583,134**	1,577,240
Convertible bonds	13	**92,893**	–
Financial liability at fair value through profit or loss	13	**30,706**	–
Lease liabilities		**8,585**	36,698
Deferred income tax liabilities		**55,714**	58,067
Total non-current liabilities		**1,771,032**	1,672,005
Current liabilities			
Trade and other payables and accruals	14	**947,145**	974,295
Written put option liabilities		**140,000**	140,000
Current income tax liabilities		**6,785**	8,543
Borrowings	12	**612,283**	599,115
Lease liabilities		**32,704**	46,855
Total current liabilities		**1,738,917**	1,768,808
Total liabilities		**3,509,949**	3,440,813
Total equity and liabilities		**6,249,129**	7,045,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, except that some financial assets are stated at their fair values.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results 2023 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. For the year ended 31 December 2023, the auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

During the year ended 31 December 2023, the Group incurred a loss for the year of HK$838 million (2022: HK$886 million) and a net cash used in operating activities of HK$155 million (2022: HK$303 million).

For the year ended 31 December 2023, the Company has been unable to comply with a bank covenant in relation to the ratio of consolidated net debt to consolidated EBITDA ("EBITDA covenant") under its loan agreement with Shanghai Commercial Bank Limited ("SCBL") for a term loan facility with the outstanding amount of HK$1,567 million maturing in 2025 (as further disclosed in note 12). The Group has successfully obtained a written confirmation from SCBL that SCBL is aware of this non-compliance, but will not demand immediate repayment of the loan on account of this non-compliance up to the end of 31 March 2025. Based on cashflow projections for a period of not less than 12 months after 31 December 2023 and considering the undrawn banking and other facilities (including CMC, Inc. ("CMC") and Young Lion Holdings Limited) available to the Group as set out in note 12, the Directors consider that the Group will have adequate funds available to enable it to operate its business for the foreseeable future and accordingly consider it appropriate to prepare the consolidated financial statements on a going concern basis.

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

(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 has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. Except for HKAS 12 Amendments described below, the adoption of these amended standards and interpretation did not result in any significant impact on the consolidated financial statements of the Group.

The Group has adopted the Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction" on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented.

As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of HK$8,686,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and was presented on a net basis on the consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

(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 2023 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. **Revenue, interest income and other revenues**

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

2. Revenue, interest income and other revenues (continued)

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

	2023	2022
	HK$'000	HK$'000
Revenue		
Advertising income, net of agency deductions	**1,528,525**	1,372,691
e-Commerce income	**516,553**	866,170
Licensing income	**399,346**	527,230
Subscription income	**433,058**	437,018
Co-production income	**274,252**	159,154
Others	**171,044**	223,487
	3,322,778	3,585,750
Interest income	**95,659**	124,560
Other revenues		
Government subsidies from Employment Support Scheme (note)	**–**	37,306
Others	**21,366**	14,859
	21,366	52,165
	3,439,803	3,762,475

Note:

During the year ended 31 December 2022, the HKSAR Government launched the "Employment Support Scheme" to provide certain financial incentives to eligible employers to retain employees amidst the COVID-19 pandemic in Hong Kong. No financial support under the Employment Support Scheme was provided by the HKSAR Government for the year ended 31 December 2023.

3. Segment information

The Group is principally engaged in terrestrial television broadcasting, OTT Streaming, e-Commerce, Mainland China Operations and International Operations.

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, impairment losses on receivables from a joint venture; interest in an associate; intangible assets; and other financial assets at amortised cost, gain on disposal of other financial assets at amortised cost, changes in fair value of a financial asset and a financial liability at fair value through profit or loss, 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.

3. 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 results for the year by operating segments is as follows:

	Hong Kong TV Broadcasting		OTT Streaming		e-Commerce Business		Mainland China Operations		International Operations		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**19,154**	14,218	**1,872**	2,022	**486,095**	862,467	**148,760**	207,656	**3,786**	13,853	**659,667**	1,100,216
Over time	**1,377,909**	1,279,881	**354,103**	347,383	**–**	128	**580,006**	490,121	**351,093**	368,021	**2,663,111**	2,485,534
External customers	**1,397,063**	1,294,099	**355,975**	349,405	**486,095**	862,595	**728,766**	697,777	**354,879**	381,874	**3,322,778**	3,585,750
Reportable segment EBITDA	**(271,971)**	(513,750)	**84,033**	65,847	**(49,205)**	(100,153)	**63,112**	159,407	**33,753**	50,242	**(140,278)**	(338,407)
Additions to non-current assets*	**71,758**	130,528	**54,477**	69,043	**444**	64,705	**4,723**	1,620	**14,122**	3,211	**145,524**	269,107

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

3. **Segment information** (continued)

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

	2023	2022
	HK$'000	HK$'000
Reportable segment EBITDA	**(140,278)**	(338,407)
Depreciation and amortisation	**(373,365)**	(427,252)
Finance costs	**(146,687)**	(81,098)
Interest income	**8,857**	11,916
Interest income from a joint venture	**86,802**	112,644
Gain on disposal of other financial assets at amortised cost	**–**	129
Changes in fair value of		
– a financial asset at fair value through profit or loss	**(17,231)**	–
– a financial liability at fair value through profit or loss	**(1,522)**	–
Impairment losses on		
– receivables from a joint venture (Note 9)	**(86,300)**	(211,800)
– intangible assets	**(16,454)**	–
– other financial assets at amortised cost	**(6,221)**	(28,717)
– interest in an associate	**(126,000)**	–
Share of (losses)/profits of associates	**(105)**	24
Share of profits of joint ventures	**36**	198
Loss before income tax	**(818,468)**	(962,363)

For the year ended 31 December 2023, no revenue generated from a single customer of the Group is over 10% of the total revenue.

For the year ended 31 December 2022, revenue generated from a single customer of the Group from the segment of Mainland China Operations amounting to approximately HK$382,197,000 in aggregate has accounted for over 10% of the total revenue.

3. Segment information (continued)

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

	2023	2022
	HK$'000	HK$'000
Hong Kong	**2,243,881**	2,515,149
Mainland China	**734,720**	702,207
Malaysia and Singapore	**138,795**	155,938
USA and Canada	**116,662**	116,675
Vietnam	**29,037**	33,490
Australia	**14,975**	15,279
Europe	**4,001**	3,773
Other territories	**40,707**	43,239
	3,322,778	3,585,750

4. Finance costs

	2023	2022
	HK$'000	HK$'000
Interest on bank loans, overdraft and other borrowings	**140,296**	78,974
Interest expense on convertible bonds	**4,761**	–
Interest expense on lease liabilities	**1,630**	2,124
	146,687	81,098

5. Loss before income tax

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

	2023	2022
	HK$'000	HK$'000
Net exchange losses	**15,838**	51,199
Depreciation	**293,525**	337,305
Amortisation of intangible assets	**79,840**	89,947
Short-term leases		
– Equipment and transponders	**4,175**	4,175
– Land and buildings	**3,398**	7,704
Employee benefit expense (excluding directors' emoluments)	**1,397,371**	1,524,231
Government subsidies from Employment Support Scheme	**–**	(37,306)

6. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 charged/(credited) to the consolidated income statement represents:

	2023	2022
	HK$'000	HK$'000
Current income tax:		
– Hong Kong	**1,845**	1,410
– Overseas	**12,099**	34,840
– (Over)/under provisions in prior years	**(1,440)**	3,579
Total current income tax expense	**12,504**	39,829
Deferred income tax:		
– Origination and reversal of temporary differences	**7,197**	(117,612)
– Under provisions in prior years	**–**	1,355
Total deferred income tax expense/(credit)	**7,197**	(116,257)
	19,701	(76,428)

7. Loss per share

Loss per share is calculated based on the Group's loss attributable to equity holders of the Company of HK$762,796,000 (2022: HK$807,132,000). The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share throughout the year ended 31 December 2023 was 438,122,000 (2022: 438,000,000).

As at 31 December 2023 and 2022, the ordinary shares were 438,218,000 and 438,000,000 respectively. 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 and the conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share.

8. Dividends

The Directors did not recommend a dividend for the years ended 31 December 2023 and 2022.

9. Interests in joint ventures

	2023	2022
	HK$'000	HK$'000
Non-current		
Investment costs (note)	**206,539**	206,479
Funds advanced to joint ventures	**17,731**	17,731
Less: accumulated share of losses	**(223,177)**	(223,153)
	1,093	1,057
Loan and interest receivable from a joint venture (note)	**789,796**	781,106
Less: impairment loss on receivables from a joint venture	**(311,600)**	(225,300)
	478,196	555,806
	479,289	556,863

9. **Interests in joint ventures** (continued)

Note:

In July 2017, the Group had 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.

In December 2022, ITT completed a partial repayment of the Promissory Note to TVB in the amount of US$35,000,000 which had the effect of reducing the outstanding principal amount and accrued and unpaid interest, thereon, of the ITT debt obligation owing to TVB. Of this US$35,000,000 repayment, the Group reinvested US$20,000,000 by subscribing for 2,621,148 non-voting Class C Units in Imagine, thereby gaining a minority stake of less than 5% in Imagine. The payment was made directly by ITT to Imagine on the Group's behalf therefore there was no cash outlay in respect of the US$20 million investment. The investment in Imagine provides the Group with a shareholding of a successful player in the US film and TV industry. The Imagine investment has been recognised as financial assets at fair value through other comprehensive income.

On 29 December 2022, the Group also entered into an agreement with CMC, whereby CMC agreed to purchase 10% of the Group's interest in ITT. The disposal of the 10% Promissory Note was completed in August 2023.

As at 31 December 2022 onwards, in determining the impairment assessment of the Promissory Note from ITT as at each balance sheet date, the Group has observed that the US market for premium TV content has been increasingly dominated by streaming platforms, resulting in a reduced number of opportunities for ITT which is based in the US to pursue independent non-deficit-financing productions, which was its primary focus. As such, the Company considered to measure the outstanding balance under a stage 2 ECL (expected credit loss) model and certain forward looking assumptions to estimate a probability of default. The ECL model involves assessing key measuring parameters and inputs, such as the probability of default ("PD") and the loss given default ("LGD"). The Group considered various factors in determining the PD and LGD of the Promissory Note, including the scale of the business, business model, financial performance, financial position, market share trend, and financial policy of ITT. The Group also adjusted for forward-looking information, such as the future development plan of ITT.

9. Interests in joint ventures (continued)

Note: (continued)

As at 31 December 2023, based on the aforementioned assessment, adopting the stage 2 ECL model which is consistent with that as at 31 December 2022, the total carrying value of our Promissory Note in ITT was HK$789,796,000 (31 December 2022: HK$781,106,000) inclusive of the interest income of HK$86,802,000 (2022: HK$112,644,000) recognised during the year. During the year, the industrial action by writers and actors in the filmed entertainment industry of the United States caused a slowdown in TV production activity. Although the action ended in late 2023, financial performance of the ITT was temporarily affected by the lack of production. Considering these factors, a higher Expected Credit Loss ("ECL") rate of 39.4% has been applied to the total carrying value of the Promissory Note (2022: 28.8%). This resulted in an additional provision of HK$86,300,000 for the year (2022: HK$211,800,000) and a corresponding increase in the accumulated lifetime ECL provision on the carrying value of the Promissory Note to HK$311,600,000 (2022: HK$225,300,000).

10. Bond securities at amortised cost

	2023	2022
	HK$'000	HK$'000
Non-current		
Bond securities at amortised cost:		
Unlisted	**426,995**	426,982
Listed in other countries	**70,306**	70,285
Less: provision for impairment loss on bond securities	**(473,063)**	(466,842)
	24,238	30,425

Note:

As at 31 December 2023, the Company's portfolio of fixed income securities, net of expected credit losses amounted to HK$24,238,000 (31 December 2022: HK$30,425,000), which were classified under "Bond securities at amortised cost". Issuers of these securities include listed or unlisted companies in Hong Kong and overseas. No bond securities were disposed of or redeemed during the year (2022: a gain of HK$129,000).

As at 31 December 2023, the investment portfolio consisted of fixed income securities of four (2022: four) separate issuers, of which the bonds issued by Master Glory Group Limited and SMI Holding Group Limited had been fully impaired in prior years. There was no interest income (2022: HK$4,289,000) recognised during the year from the bond securities at amortised cost.

In the process of winding down the bond portfolio where certain legacy investment were fully written down or disposed of, a further non-cash impairment losses of HK$6,221,000 (2022: HK$28,717,000) were recognised for the remaining two legacy bonds during the year. These additional impairment losses were made after considering the credit risk of the bond portfolio and the latest development of certain credit-impaired bond securities.

11. Trade receivables

At 31 December 2023, the ageing of trade receivables, net of provision for impairment based on invoice dates was as follows:

	2023	2022
	HK$'000	HK$'000
Up to 1 month	**443,591**	470,781
1-2 months	**146,116**	152,093
2-3 months	**71,346**	40,575
3-4 months	**49,621**	25,234
4-5 months	**26,503**	67,151
Over 5 months	**130,421**	84,218
	867,598	840,052

12. Borrowings

	2023	2022
	HK$'000	HK$'000
Non-current		
Bank borrowings, unsecured (note (a))	**1,567,200**	1,561,306
Other borrowings, unsecured	**15,934**	15,934
	1,583,134	1,577,240
Current		
Bank borrowings, unsecured (note (a) and (c))	**164,083**	390,475
Bank overdrafts, unsecured	**–**	198,640
Other borrowings, unsecured (note (b))	**448,200**	10,000
	612,283	599,115
	2,195,417	2,176,355

Notes:

(a) On 30 June 2020, the Group entered into a US$250,000,000 term loan facility with Shanghai Commercial Bank Limited ("SCBL"), and the entire facility amount was drawn down on 6 July 2020. Originally, the loan was due for repayment in full on 6 July 2023. On 22 August 2022 the Group entered into a supplementary agreement with SCBL to extend the maturity of a US$200,000,000 portion of the loan by two years, to 6 July 2025.

In May 2023, the Group converted the functional currency of the loan facility from US dollars to Hong Kong dollars. This resulted in the conversion of our US$250,000,000 outstanding loan balance into HK$1,959,000,000. During the year, the Group has repaid an amount of HK$391,800,000 (being the equivalent of US$50,000,000) to SCBL. The remaining outstanding amount HK$1,567,200,000 is due for repayment on 6 July 2025. Interest on our term loan with SCBL bears a variable rate, which was approximately 7.7% as at 31 December 2023 (2022: 6.6%).

12. **Borrowings** (continued)

Notes: (continued)

(b) On 13 August 2023, the Group entered into a loan facility agreement with CMC and Young Lion Holdings Limited. Pursuant to this agreement, CMC and Young Lion Holdings Limited have made available, on an unsecured basis, a term loan facility of HK$700,000,000 (the "Facility") to the Group. The Facility, which was originally valid up to 31 December 2024, bears an interest rate of 3-month HIBOR plus 1.25%, which is lower than the Group's current market cost of borrowing in Hong Kong. Under certain circumstances whereby the Company is able to raise new equity related financing, including through issuance of new shares or instruments convertible into new shares, the size of the Facility may be correspondingly reduced. Pursuant to a supplemental letter dated 26 February 2024, the Facility's repayment date has been extended to the end of 31 March 2025. In addition, following the Company's successful issuance of HK$156 million in convertible bonds to Cardy Oval Limited (as disclosed below in note 13), this term loan facility made available by CMC and Young Lion Holdings Limited has been correspondingly reduced to HK$544 million as at 31 December 2023.

CMC is a company controlled by Mr. Li Ruigang, a non-executive director of the Company, whereas Young Lion Holdings Limited is an indirect shareholder of over 10% of the shares of the Company. As such, both CMC and Young Lion Holdings Limited are connected persons of the Company according to Hong Kong listing rules. Nevertheless, given that the terms of the Facility are more favourable than the terms of the Company's other borrowings in the Hong Kong market, the directors of the Company are of the opinion that the Facility meets the definition of "Financial Assistance" as defined within Hong Kong listing rules, and is thus exempt from normal approval procedures in relation to transactions with connected persons. As at 31 December 2023, the Company drew down an amount of HK$448,200,000 from the Facility. The Company subsequently repaid HK$156 million of this amount to CMC on 3 January 2024.

(c) In October 2023, the Group entered into a RMB149,540,000 (equivalent of HK$164 million) term loan facility with Shanghai Pudong Development Bank Company Limited ("SPDB"), and the entire facility amount was drawn down on 31 October 2023. The bank borrowing bears a fixed interest rate, which was approximately 3.6% and is due for repayment on 30 October 2024.

13. Convertible bonds and financial liability at fair value through profit or loss

The Company completed the issuance of convertible bonds with 3.5% coupon rate at a par value of HK$156,000,000 on 6 September 2023. The convertible bonds are denominated in Hong Kong dollars and will be matured in 5 years from date of issue. Based on the initial conversion price of HK$4.45 per conversion share, a total of 35,056,164 conversion shares will be allotted and issued upon exercise in full of the conversion right attached to the convertible bonds.

The holder of each bond will have the right at such holder's option, to require the Company to redeem all and not part of the bonds it holds at 110% of the principal amount on the date of redemption together with accrued but unpaid interest from the issue date to such date, at any time within five business days after the third anniversary of the issue date. If the convertible bonds have not been converted or redeemed, they will be redeemed on the fifth anniversary of the completion date at par. Interest of 3.5% per annum will be paid semi-annually up until the settlement date.

The convertible bonds contain three components, a debt component, a derivative component and an equity component. The derivative component is measured at fair value with change in fair value recognised in the consolidated income statement.

13. Convertible bonds and financial liability at fair value through profit or loss (continued)

The movement of the convertible bonds for the year is set out below:

	Debt component HK$'000	**Derivative component** HK$'000	**Equity component** HK$'000	**Total** HK$'000
Issuance on 6 September 2023	90,708	29,184	36,108	156,000
Transaction costs	(771)	–	(232)	(1,003)
Interest expense	4,761	–	–	4,761
Interest payable	(1,805)	–	–	(1,805)
Fair value change	–	1,522	–	1,522
As at 31 December 2023	92,893	30,706	35,876	159,475

14. Trade and other payables and accruals

	2023 **HK$'000**	2022 HK$'000
Trade payables to:		
Associates	**6,926**	1,520
Third parties	**227,766**	275,361
	234,692	276,881
Contract liabilities	**190,223**	184,286
Provision for employee benefits and other expenses	**59,550**	71,037
Accruals and other payables	**462,680**	442,091
	947,145	974,295

14. Trade and other payables and accruals (continued)

At 31 December 2023, the ageing of trade payables based on invoice dates was as follows:

	2023 **HK$'000**	2022 HK$'000
Up to 1 month	**91,059**	107,685
1-2 months	**47,305**	63,354
2-3 months	**29,045**	52,972
3-4 months	**28,752**	20,069
4-5 months	**15,268**	11,902
Over 5 months	**23,263**	20,899
	234,692	276,881

15. 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 2023 and 31 December 2022, or on the Group's results for the year ended 31 December 2023 and 2022.

ADDITIONAL INFORMATION

HUMAN RESOURCES

At the year end, the Group had a total of 3,187 employees in Hong Kong and 309 employees in mainland China and overseas. These figures include contract artistes and staff but exclude 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 scheme of the Group, options may be granted to directors and employees of the Group to subscribe for shares in the Company and in TVB e-Commerce Group Limited.

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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 31 May 2024 to Friday, 28 June 2024, 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 Friday, 28 June 2024 ("2024 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 Saturday, 29 June 2024.

In order to be entitled to attend and vote at the 2024 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 Thursday, 30 May 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout 2023.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 of the Listing Rules, as amended from time-to-time, as the code for Directors and members of Senior Management in their dealings in the securities of the Company.

All Directors and members of Senior Management were subject to specific enquiries by the Company as part of their bi-annual confirmations of compliance and have confirmed that they had complied with the Model Code during 2023.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the consolidated financial statements for the year ended 31 December 2023, before such statements were presented to the Board for approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (https://corporate.tvb.com). The Company's 2023 Annual Report containing the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the above websites in April 2024.

ANNUAL GENERAL MEETING

The 2024 AGM of the Company will be held at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Friday, 28 June 2024.

By Order of the Board
Chan Shu Hung
Acting Company Secretary

Hong Kong, 27 March 2024

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