

unease with the new administration. Television advertising revenue in 2000 declined, resulting in modest losses for TVBS channels. The shortfalls were offset to some extent by the continued improvement in revenues from the TVBS Magazine.

In the year 2001, we can expect TVBS channels to continue to lead in audience share and be well-positioned to benefit and return to the black when the Taiwan economy reverses its present downtrend. Building on the positive numbers of 2000, channel TVBS-Asia's contribution should continue to grow as the number of television operations in the region continues to increase.

## **NEW BUSINESS DEVELOPMENT**

Attendant to our cable distribution in Holland, where we are expecting to conclude additional carriage with UPC Nederland B.V., the largest cable carrier in the market, TVBS Europe saw a growth of 20% in subscribers and overall stable performance.

In the USA, where we have overcome initial technical hurdles, we are on track to convert our previous, one-channel satellite service to a multi-channel, direct-to-home service. Since November over 90% of existing channel subscribers have confirmed they will convert to the new direct-to-home service, with 60% of subscribing homes already successfully converted. Judging from the initial response of subscribers to our multi-channel offerings, we are convinced that our USA operation will bring in an increasingly strong revenue stream and make a significant contribution to the Group in coming years.

In Australia, our new direct-to-home, multi-channel satellite platform fell short of subscription targets due initially to technical systems integration faults and, later, with a large number of the workforce temporarily absorbed by the demands of the Olympics, to a shortage of installers. Since then, labour resources are back to normal and we are cooperating closely with installers and agents to work through the back-log. Plans are also underway to address multiple dwelling units with large numbers of Chinese inhabitants. These may make up as much as 40% of potential homes.

With the additional reach resulting from the launch of our direct-to-home platforms in Australia and the USA, our two satellite channels, TVB8 and Xing He, have reached their initial targets for global coverage. For the coming year we will focus our efforts on reaching distribution targets in the mainland and on revamping our programming and marketing strategies. In 2001 we anticipate substantial improvement in revenue and, hopefully, an increased contribution to the Group from the two channels.

Our wholly owned subsidiary, Galaxy Satellite Broadcasting Limited (Galaxy), has been granted a licence to operate a domestic pay television programme service in Hong Kong. Amongst other conditions, Galaxy is required to launch the services 18 months after commencement of the licence and that TVB's investment in Galaxy must be less than 50% of the share equity of Galaxy.

## **JADE ANIMATION**

Jade Animation, the animation arm of the Group, delivered steady growth in revenue and profit through its animation services and licensing activities. During the year under review, Jade Animation has enhanced its studio with digital animation facilities to improve production quality

and reduce production cost. In the coming year Jade Animation will prepare itself to participate more aggressively in animation project development, international co-productions and marketing activities.

## **TVB.COM**

In June 2000, the tvb.com portal was completely redesigned and officially relaunched with enhanced content and a completely new look.

Throughout the year, the content and services of the portal have been continuously augmented and improved. Major improvements include video streaming of TVB's morning, noon and evening news, online chats with TVB stars, coverage of music topics including online polling in association with the Jade Solid Gold programme, opening of the TVB VCD Shop, an extensive Christmas promotion, and the official star websites of leading TVB-managed stars.

Our continuous effort to improve our portal has paid off. Between January 2000 and December 2000, user sessions have increased by 127% and the duration of user sessions has increased by 10%.

In May 2000, TVB.COM Limited (TVB.COM) opened its portal operations in the mainland, based in Shanghai. Operating under the name of Shanghai Jade Pearl Internet Technologies Limited, the portal team consists of approximately 50 experienced and talented portal designers, engineers and content staff.

Our strategy in the mainland is to build a portal that will capitalise on the fast-growing Internet market in that country and maximize our revenue opportunities through reduced operating costs resulting from our integrated operations in Hong Kong and the mainland. Moving in this direction, a decision was made in December 2000 to downsize the Hong Kong team by approximately a third. In the coming year, TVB.COM will look for more operational efficiencies by further integrating its Hong Kong and the mainland portal operations.

## **MAGAZINE PUBLISHING**

In 2000, TVB Publications Limited (TVBP) was able to achieve impressive double-digit growth in advertising revenue. However, circulation and readership have experienced downward pressure due to the very sluggish retail market and the extremely intense competition in the local periodicals market.

We believe the improvement in revenue has resulted directly from the magazine's wider appeal in the marketplace. After a thorough restructuring, TVB Weekly has maintained its traditional family orientation, but now commands a significant share of the youth market as well.

In an effort to reach Chinese readers all over the world, we aggressively promoted our weekly magazine on the Internet in 2000. Through TVB's Internet portal, tvb.com, readers in every corner of the earth with access to the Internet were able to enjoy the content of TVB Weekly. In coming years TVB Weekly and tvb.com will continue to cooperate in cross-promotional opportunities to maximize growth in both businesses.

In 2001, we will work to ensure that TVB Weekly remains fresh and appealing. We will continue

to review, enrich and renovate our content in order to improve our positioning and to increase our market share. Furthermore, to add to our circulation, TVBP will begin to publish the TVB Weekly in selected international markets. Based on these efforts, we anticipate improvement in both circulation and readership in the coming year.