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Management's Discussion and Analysis  
Operations Review



# television & entertainment

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The channel has begun building mobile interactivity for its programming with simple applications

The Television and Entertainment Group grew a marked 146% in revenues to HK\$79 million, compared to HK\$32 million in the past year. EBITDA loss dropped by 82% to HK\$11 million versus last year's HK\$62 million. Segment loss was at HK\$54 million compared to HK\$85 million last year.

The performance of CETV, a Putonghua general entertainment channel, in the second year under TOM's management was encouraging. During the year, revenues of CETV were mainly derived from advertising, wireless, programme syndication and events.

CETV posted about 1.5 times growth in advertising revenues for the year. The surge was mainly driven by the increase in advertising rate card by over 40% compared to year 2004. Advertising revenues of CETV made up 87% of the group's total revenues for the year, compared to last year's 88%. Revenues from wireless, programme syndication and events accounted for 13%.

In March 2005, CETV completed its digitisation of its distribution platform. Apart from the landing rights into the cable system in Guangdong, CETV also has a nationwide distribution through the central platform, covering hotels and foreign apartment compounds, it is estimated that CETV reaches about 21 million households throughout Mainland China.

In year 2005, CETV achieved market share of 2.1% and 3.7% in Guangzhou and Shenzhen respectively and have secured leading position in age group of 15 to 24. "*Huanan Pharmaceutical's All-Star Singing Party*" and "*No Holds Barred – Super Search Warrant*" were some of the channel's hit original productions. The former recorded No.4 ranking in Shenzhen and No.7 in Guangzhou for their time slots, and the latter achieving a 9.2% market share in Zhongshan, the highest market share recorded for that city on that time slot in 2005, whilst in Shenzhen it achieved 4.2% market share. Original programming of CETV is now being syndicated to Hunan, Fujian, Henan and several other local networks.

## CETV

No. 2 satellite channel in the Pearl River Delta region

Covered about 21 million households

88% penetration rate in Guangdong

475 hours original productions



New acquired programming has also contributed to the continued increase in popularity of CETV. The renowned Korean drama "Jewel in the Palace" helped the channel to achieve a peak market share in Shenzhen of 8.4%. Another hit Korean Drama "The Legendary Doctor – Hur Jun" surpassed 12% market share both in Guangzhou and Shenzhen. The performance of these dramas has helped CETV take a leading position as the channel providing the best of Korean dramas to audiences in Guangdong.

On sales and marketing, the channel's advertiser base continued to grow in 2005 with new major accounts wins including L'Oreal, Pepsi, TJoy and Mindshare Media. More than 120,000 people have participated in various marketing events and live productions held by CETV. "Star Power", a sponsored production for China Telecom and a series of concerts and entertainment awards ceremonies sponsored by China Mobile were the major highlights of the year. Other marketing events included on-the-ground promotions for "Mars", "Jewel in the



"Palace" and "Scent of A Woman", involving popular artists such as Irene Wan, Michelle Ye, Vic Zhou and Xu Xiyuan.

In 2005, CETV began to take advantage of its broad distribution base, along with the general proliferation and growth of mobile value-added services, to create services that converge the usage of the television and mobile platforms.

The channel began its initial efforts into building mobile interactivity for its programming with simple applications such as SMS voting, Text-In programming, SMS competitions, and content downloads. Some of the channel's hit original programming including "Ways Of The World", "Scent Of A Woman", "Music Action" and "Super Search Warrant" have been integrated with such SMS applications, with the content itself being made available for download on IVR platforms, as well as being made available as ring and ring back tones.

The programming integration of this interactivity began in the middle of the year - since then the revenue from these services, although was currently low, has demonstrated encouraging growth and its contribution is starting to become



significant. In the coming seasons, the channel will be looking to produce in-house, more sophisticated, transaction-based entertainment programming.

Going forward, with its increased production output of original programming, CETV will continue to look and to exploit its content assets by continuing to broaden its reach, to also take advantage of maturing distribution mediums that having an increasing demand for richer content, such as broadband Internet, as well as upcoming platforms such as IPTV and mobile.

In December 2005, the group reduced its equity interests in Huayi Brothers International Holdings Limited, a passive investment of the group, from 27% to 7%.

For year 2006, the group will be actively pursuing initiatives to further deepen its content production capabilities, as well as expanding distribution platforms for the Television and Entertainment division as a whole.

