

REVIEW OF OPERATIONS

HONG KONG DIGITAL NEW MEDIA BUSINESS

2016 was a banner year for TVB's online operations. Having achieved phenomenal success since its launch on 18 April 2016, myTV SUPER is on its way to becoming Hong Kong's largest and best OTT online video platform for long-form video content.

myTV SUPER has reached more than 3 million users in just less than one year from official launch in April 2016. Independent market research also confirms that viewers agree it provides the best picture quality and its streaming performance is well above industry standards. Other improvements will be made in 2017 to further enhance user experience in terms of navigation and content discovery.

The service excels because of the Company's focus on four areas: content, distribution, technology, and promotion. Strong content is a great feature of myTV SUPER, which carries 19 TVB channels (including five free-to-air channels in higher-than-terrestrial broadcast quality), over 30 international channels, and more than 32,000 hours of video-on-demand content from TVB's archive and other content providers. In August 2016, myTV SUPER made history by bringing six live Olympic channels and more than 2,000 hours of VOD Olympic content (including over 100 hours in full 4K) to Hong Kong viewers for the first time ever.

The rapid uptake in subscribers is testament to the highly effective hard bundle arrangement the Company successfully contracted with Hong Kong Broadband and Hutchison Telecommunications. The smooth migration of free tier-users from myTV mobile service to myTV SUPER also contributed to the service's success.

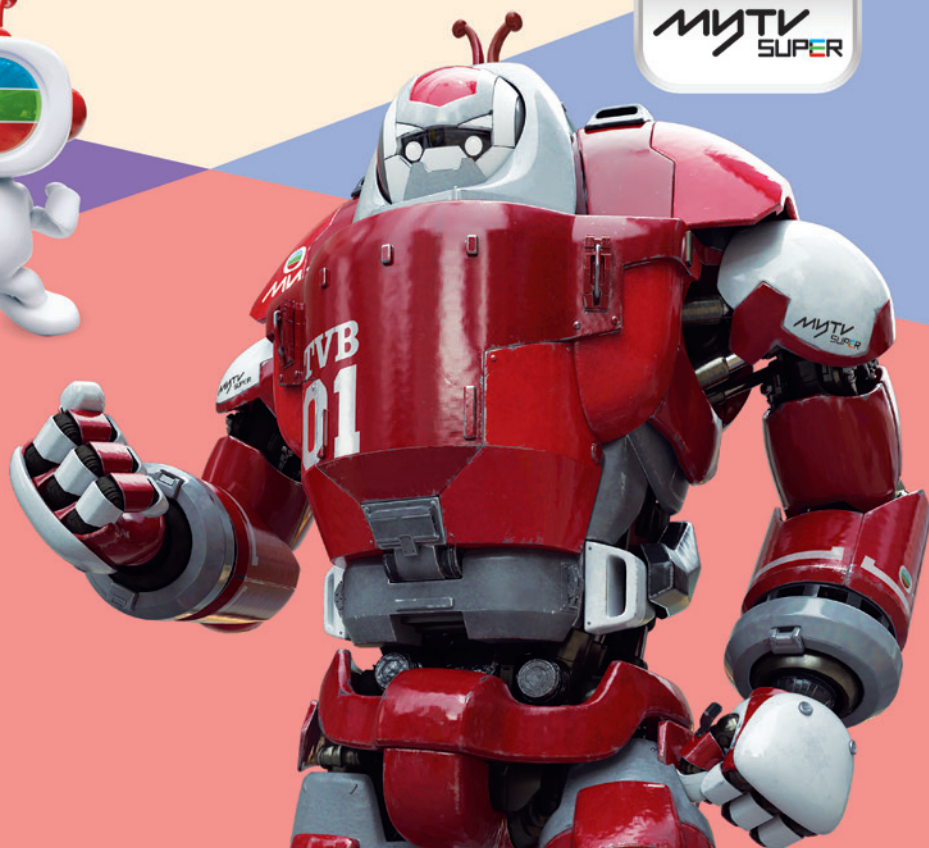
myTV SUPER was built on well-tested platform architecture, cutting-edge video server technology, and a sophisticated content distribution network that will become Hong Kong's biggest dedicated Internet video delivery platform by the end of 2017. Its successful roll-out was also due to TVB's ability to leverage its own television channels in marketing the service.

In addition to launching myTV SUPER, efforts were also made during the year to enhance TVB's existing news and finance apps as well as its TV interactive app, TVB Fun.

The upfront investment in capital and operations required to launch myTV SUPER has resulted in a net start-up costs of approximately HK\$44 million in 2016. We view the loss incurred as minimal compared to the results achieved.



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