

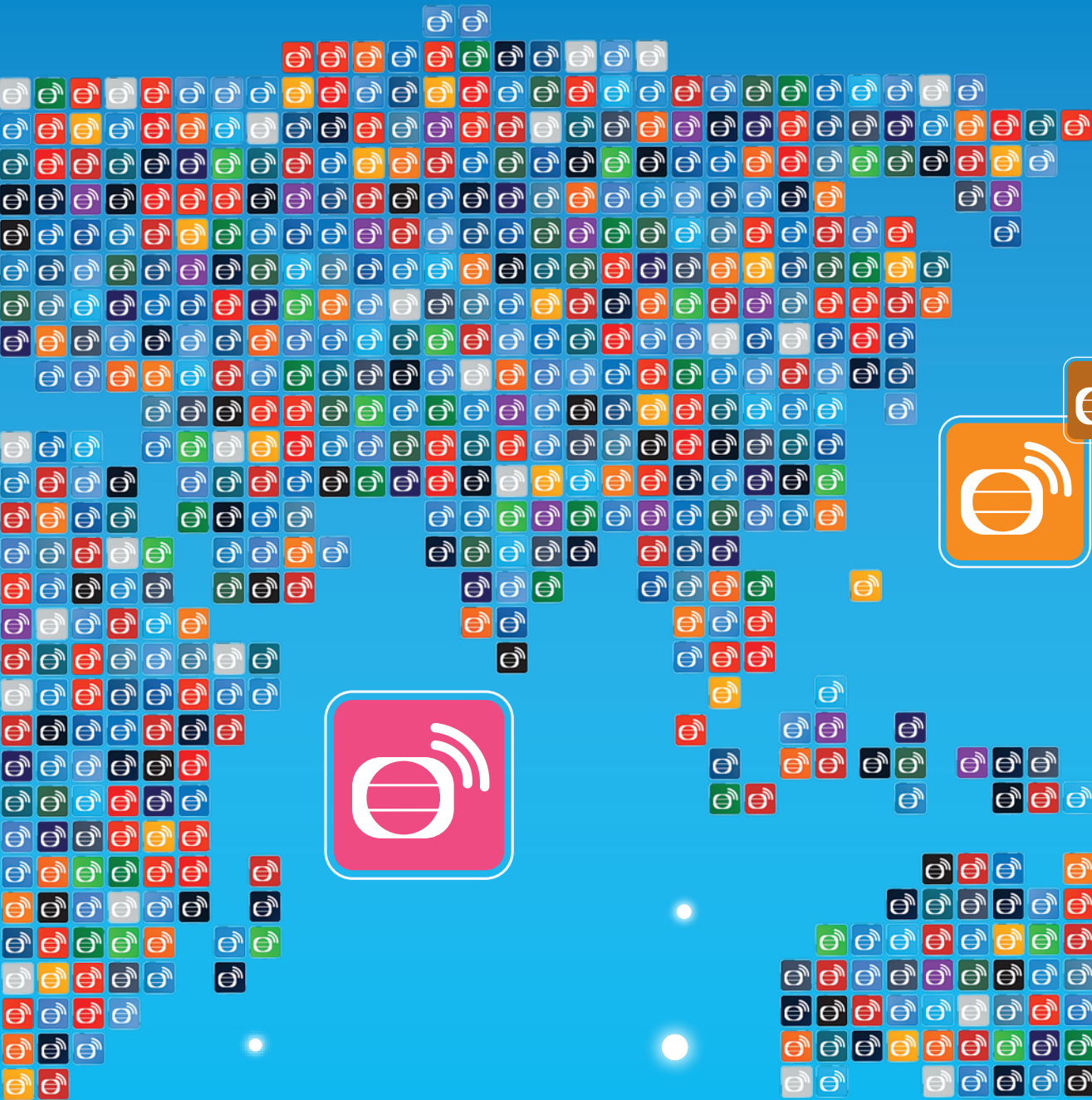
REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS





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TVB Anywhere





TVB Star Awards Malaysia 2016



Hong Kong International Film & TV Market 2016



TVB Anywhere Promotion in Canada



StarHub TVB Awards 2016

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INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution business, comprising the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, accounted for 21% of the Group's revenue.

Uncertain economic prospects and online piracy seriously affected the business environment in our core markets including Malaysia and Singapore. Our licensees MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") and StarHub Cable Vision Ltd. ("StarHub") both recorded a drop in subscription revenue; as a result, they have become more cautious in content acquisition spending.

In Malaysia, the programme supply agreement with MEASAT on its Astro platforms has been renewed for four years till 2020. The new contract enables us to compile a TVB channel package named "Jade Pack" to cater to the Malaysian market. In addition, TVB would develop a new media platform as a convenient means to attract more subscribers and business opportunities. To strengthen our position in the Singapore market, additional resources have been deployed in marketing our channels and promoting locally produced contents. The audience and advertisers in our major markets have responded favourably to several local productions. As this content strategy proves to be effective, more local programmes will be produced in the coming year.

The rampant influx of illegal TV boxes has also placed a strain on the licensing business in non-traditional markets like Vietnam. Hoping to ride on the rapid

economic growth of many Indochina countries, we have been proactively developing new businesses with leading operators in Vietnam, Cambodia, and Myanmar. In Vietnam, we significantly enhanced TVB's exposure and advertising revenue in the fast-growing video-on-demand ("VOD") market through a partnership with Saigontourist Cable Television Company Limited. We have also been in discussion with other local new media operators, including Vietnam's largest local telecom company, to carry our programmes on their platforms. In Cambodia, we have a fixed timeslot on PNN, a local terrestrial free TV broadcaster, and plan to partner with another new media operator; this will further increase the exposure of TVB programmes in the market.

Thanks to the booming new media business, our China operation recorded a revenue increase of around 29% from HK\$271 million to HK\$351 million during the year. Our licensing business in Mainland China is carried under a joint venture company 上海翡翠東方傳播有限公司 ("TVBC"). The stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television in the PRC over imported programme titles, combined with a delay in improving our licensing arrangement in the Guangdong Province, have restricted TVBC's ability to maximise revenue from related sectors. However, the settlement of short-term problems with a main online operator during the year has cleared the path for TVB programmes' entry into this platform and brought in additional revenue for TVBC during the year. With the affluent flow of hot money into the new media sector, TVBC will spend more resources on exploring new media business in the coming year.



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TVB Anywhere Promotion in London