

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

Hong Kong TV broadcasting business continued to be our core business, accounting for approximately 65% of the Group's revenue in 2017.

TV ADVERTISING

After a prolonged cyclical downturn, the Hong Kong economy experienced a mild recovery in 2017 as retail sales index which suffered from year-on-year declines in the last 24 months finally exhibited a 3.0% growth in March 2017. The retail sales index reported an overall growth of 2.2% in 2017.

The advertising market, however, has yet to recover, as total advertising spending in Hong Kong was estimated to have fallen by 4% year-on-year in 2017. Throughout the year, most of the advertisers were very cautious in spending the budgeted dollars, as the choice of media platforms has increased, and the airtime investments and returns need to be rightly justified. In order to drive advertising sales, TVB provided various incentives to customers in order to secure long-term business growth. Benefited from the marginally improved economic climate against an overall difficult retail sector, income from advertisers for the year ended 31 December 2017 under Hong Kong TV broadcasting levelled closely with last year at HK\$2,459 million (2016: HK\$2,458 million), representing a very marginal increase of 0.1%. However, this provides some comfort for signs of stabilisation, after a 13% year-on-year decline in segment revenue experienced in 2016 over 2015.

The milk powder category remained at the top position in the ad spend table, even though there was a 14% year-on-year drop on sales. This is a key advertising category as visiting Mainland China's tourists continue to spend on consumer products. The loan and mortgage category, largely due to more aggressive activities by finance companies, recorded strong growth of more than 30% and secured the second position. Other performing categories included banking and local properties, both of which reported encouraging increases of 36% and 64% respectively. Revenue from government/quasi government category recorded a more than 60% growth which was boosted by income related to events celebrating the 20th anniversary of the establishment of the Hong Kong SAR on 1 July 2017. However, revenue from skin care continued to drop in 2017 recording a fall of 9% year-on-year, and similarly, the spending from dental care dropped 35%, compared with last year.

Against these tough and difficult market conditions, the Company introduced multiple advertising packages to stimulate demands which generated positive responses. "Perfect Match Package" was launched, offering a complete solution for small and medium sized advertisers which were much neglected in the past. In addition, special tailor-made spot packages, "Good Choice Package" and "Better Choice Package", were introduced to further stimulate spending.

2018 remains a challenging year for all media operators due mainly to the ever-changing media landscape brought about by new entrants and global competition. TVB will endeavour to grow by targeting new advertisers and introducing innovative packages.

Internally, the first phase of the re-write of our market and advertising sales systems to better service our advertisers and agencies went live in January 2017. Following this, additional features were deployed incrementally and the systems became fully operational from May 2017. With the enhancements, we are in a better position to provide an efficient ad-sales service which is important for this market.

TV CHANNELS

TVB uses the spectrum to broadcast five terrestrial TV channels, each with clear demographic targets.

Jade (channel 81), TVB's flagship service and the most popular channel in Hong Kong in terms of average audience share, has strengthened its programming line up to cater to local tastes and preferences. J2 (channel 82), targeting the adolescent viewing population, offers trendy and innovative programmes. TVB News Channel (channel 83), with its round-the-clock local and international news service and documentaries, is the most watched news channel in Hong Kong. Pearl (channel 84), with its international and upmarket appeal, addresses the entertainment needs of the English speaking and affluent audience. Successfully rebranded from J5 last year, TVB Finance & Information Channel (channel 85) is the station's latest response offering up-to-the-minute stories and expert analyses on capital markets, property investments, technology innovation, medical development and education related subjects.

TVB continues to invest in high quality self-produced and acquired programmes. Around 23,700 hours of programmes (including drama, non-drama programmes, and news and documentaries) were produced alone in 2017. This total has been increasing over the years to meet the growing demand of the newer channels such as J2 and TVB Finance & Information Channel.

On average, our five terrestrial TV channels engage with 5.4 million viewers every week. During the year, the average audience share¹ of TVB's terrestrial channels against all of the free and the pay TV channels in Hong Kong during weekday prime time was 83% (2016: 84%). In addition, TVB programmes also attract substantial viewerships from neighbouring markets, such as Macau and the Guangdong province.

The average prime time TV ratings of the five TVB terrestrial TV channels (which contained viewing via spectrum, live, as-live viewing and same day catch-up through myTV SUPER OTT Box) and the average percentage audience share against total TV channels in Hong Kong during prime time are as follows:

	2017	
	TVR	% of Total TV
Jade	20.0	67
J2	1.9	7
TVB News	1.7	6
Pearl	1.2	5
TVB Finance & Information	0.7	3

¹ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, pay TV channels, and other TV channels capable of being received in Hong Kong, such as satellite and OTT channels.

20 TVRs

Jade prime time
(67% of Total TV)



My Unfair Lady



The Unholy Alliance



My Ages Apart

REVIEW OF OPERATIONS

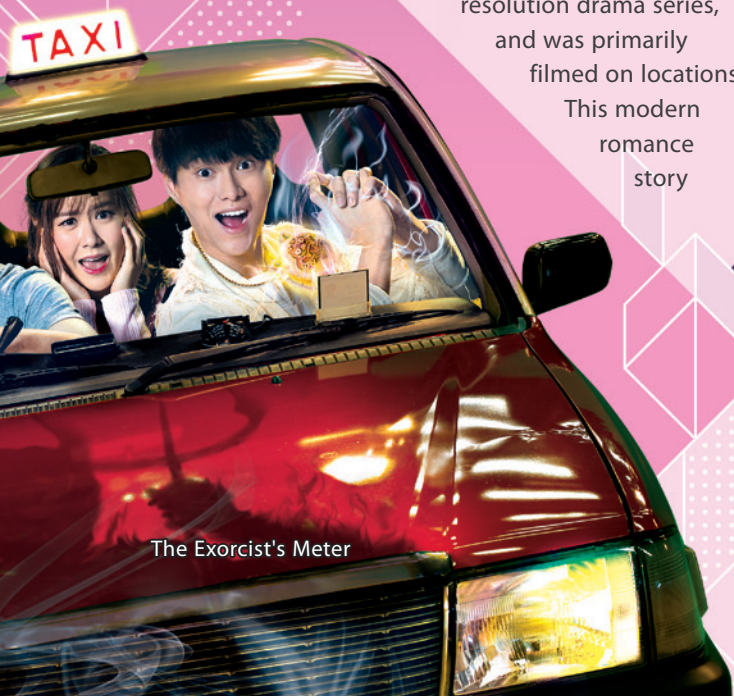


Drama

Self-produced drama serials have consistently secured the position of the flagship channel's prime time blockbuster. To mark the special occasion of TVB's 50th anniversary on 19 November 2017, a stronger than ever selection of drama titles were aired to build viewership during the run-up to the celebrations around November.

The top-rated title of 2017 was *The Unholy Alliance*, which attained an average TV rating² of 28.7 TVRs (of which 4.6 TVRs were delivered via myTV SUPER). This action crime-thriller series featured modern martial arts and shooting scenes was supervised by executive producer Jazz Boon Wai Hung and acclaimed Hollywood fight choreographer Philip Kwok Chui. Movie awardee veteran actress Nina Paw Hee Chin, who was filming for TVB for the first time, played the role of a godmother protecting her syndicates from enemies' revenge plans. She was joined by other protagonists, Ruco Chan Chin Pang, Nancy Wu Ting Yan, Joel Chan Shan Chung and Elaine Yiu Tse Ling. These distinctive characters and the action scenes gained wide applauses, which helped Joel Chan and Elaine Yiu win the best supporting role awards at the 2017 TVB Star Awards Malaysia. Joel's supporting role was also recognised at the *TV Awards Presentation 2017*.

Jade strives to offer greater and an even-better enjoyment to audience by making persistent efforts to enhance drama quality. *My Unfair Lady* was TVB's first 4K resolution drama series, and was primarily filmed on locations. This modern romance story



The Exorcist's Meter

attracted the second highest viewership for drama serials in 2017, scoring an average TV rating of 28.5 TVRs (of which 4.7 TVRs from myTV SUPER). The story revolves around two career-minded cousins, played by Jessica Hester Hsuan and Natalie Tong Sze Wing, winning the hearts of their Mr. Right. With much audience resonance and acclaims, Jessica and Natalie won major acting awards in the 2017 Starhubs TVB Awards in Singapore and TVB Star Awards Malaysia. Natalie was also awarded the Best Actress in a Leading Role at the *TV Awards Presentation 2017*.

This year, innovative storyline successfully aroused the audience interest with a time-travel comedy-fiction *A General, A Scholar and A Eunuch* which reported an average rating of 28.0 TVRs (of which 3.8 TVRs from myTV SUPER), and was ranked the third highest viewership for drama serials in 2017. This comedy precluded with three courtiers accidentally travelled from the late Ming dynasty to modern day in China for a royal mission but ended up helping troubled

² An average TV rating is calculated based on a consolidated TV rating of a programme summing spectrum rating, live and as-live viewing on myTV SUPER, as well as VOD consumption of that programme within a seven-day period after being aired on terrestrial TV. It represents the size of the audience expressed as a percentage of the total TV population. For 2017, the total TV population comprises 6,499,000 viewers, and therefore, 1 TVR represents 64,990 viewers (1% of the total TV population).



A General, A Scholar and A Eunuch

REVIEW OF OPERATIONS

restaurant owner with their extraordinary culinary skills. This unusual story line and the tacit performance of the courtiers (played by Raymond Cho Wing Lim, Edwin Siu Ching Nam and Matthew Ho Kwong Pui) brought them the prize of Most Popular On-Screen Partners at the *TV Awards Presentation 2017*. Rebecca Zhu Chenli also received her first ever TVB award for supporting actress for her role in this drama, paving her way for more acting roles in future.

A new series of weekend only prime time drama kicked off in June 2017 with *Legal Mavericks*, our first co-produced title with iQiyi from Mainland China. This drama curated an unusual storyboard depicting encounters of a blind barrister and his team members, and was assisted by a fresh approach to on-location shootings. This drama had accumulated a total stream view of over 500 million in Mainland China. This title was awarded my favourite TVB drama at the 2017 TVB Star Awards Malaysia. The stupendous performance by a number of main casts, such as Vincent Wong Ho Shun, Sisley Choi Sea Pui, Ali Lee Kai Sum, Owen Cheung Chun Long were praised at various awards presentations in 2017.

Another co-production drama, *Line Walker: The Prelude*, a crime-thriller drama serials recorded a total stream view of over 2 billion on Tencent's platform in Mainland China. This TVB series was a prequel to the successful 2014's *Line Walker*, which saw the return of Michael Miu Kiu Wai as CIB Senior Inspector who attempted to tie up loose ends after a failed secret mission in Thailand. In the meantime, former undercover agent portrayed by Benz Hui Shiu Hung avenged for the death of his wife and became the underworld figure head's biggest rival. This drama staged a densely layered, constantly-looping pattern of trust and betrayal.

Heart And Greed serial is another iconic story developed by TVB. This highly-anticipated third sequel marked the return of veteran artistes like Louise Lee Si Kei, Ha Yu, Michelle Yim and Susanna Kwan Kuk Ying, who are well-known as the *Heart And Greed* icons. This time, Ha Yu, played a successful entrepreneur running a Hong Kong tea restaurant chain, led

his family to offer financial assistance to his former benefactor. However, the social inequality between the two families and the romance between their second generations turned the situation problematic. The happy finale attracted an average rating of 30.8 TVRs. Overall, this co-production drama captured a total of 1.5 billion stream views on Tencent's platform.

Anniversary drama, *My Ages Apart* had a star-studded cast and ran for a total of 50 episodes. Starring Bobby Au Yeung Chun Wah, Moses Chan Ho, Maggie Shiu Mei Kei, Kristal Tin Yui Lee and Ali Lee Kai Sum, the drama brought audiences on a roller-coaster ride with its varying themes of time-travel, fantasy and comedy. This creative drama was named the Best Drama in the *TV Awards Presentation 2017*.

Developed from a winning storyline written by a TVB's staff through an internal competition, *The Exorcist's Meter*, centered on a story of a nightshift taxi driver played by Kenneth Ma Kwok Ming who had the ability to see supernatural beings. His extraordinary journey to conquer demons alongside the hundred-year old spirit, played by Hubert Wu Hung Kwan attracted widespread discussion from social media, making this serial the netizen's favourite TVB Drama in the *TV Awards*



Heart And Greed

Presentation 2017. To further arouse audience interest, an anecdotal biography *The Taxorcist Sidequel – Chapter 1* was created and released on Big Big Channel with even more sci-fi supernatural elements. This first attempt of complementing the drama with a spin-off web series was well-received by audience.



Legal Mavericks

Line Walker: The Prelude

REVIEW OF OPERATIONS

Non-drama

2017 was a memorable year for the non-drama production team and for our audience.

TVB produced an extravagant star-studded gala show the *Grand Variety Show In Celebration Of The 20th Anniversary Of Hong Kong's Return To The Motherland* with songs, dances and acrobatic performances on 30 June 2017. Chinese President Xi Jinping and HKSAR's principal government officials attended the event at the Hong Kong Convention and Exhibition Center. This spectacular live show was also aired on CCTV's channels.

To mark the broadcaster's Golden Jubilee, *TVB 50th Anniversary Gala* was aired live on 19 November 2017. It was a night of glitz and glamour, presenting the most impressive array of acting talents with display of splendour and magnificent performances of more than 240 artistes. The appearance of many classic TVB drama theme songs and iconic characters touched the heart of audience making the gala the top-rated variety programme in 2017 with an average rating of 29.3 TVRs (of which 3.5 TVRs from myTV SUPER).

The launch of a new social media platform Big Big Channel on 23 July 2017 was another important key milestone. A prologue programme, *Big Big Kids Awards 2017* showcased talent contest of kids from all ages. A gala celebrating the official launch of this new platform *The big big channel Nite* previewed upcoming content of TVB artistes and KOLs. These galas successfully aroused the audience's interest and boosted sign-up rates for the new platform.

Leveraging the popularity of TVB drama characters, a number of spin-off programmes were created in variety format. An innovative game show, *Line Walker: The Hunting Game* was produced. This time, Michael Miu Kiu Wai from *Line Walker: The Prelude* became the programme host, while the other key protagonists from the drama joined him in an investigation mode.

Furthermore, certain popular drama partners were brought back in the form of food and travelogue programmes, such as the lovable Ma family from the long-running sitcom, *Come Home Love* to reunion at travelogues like *Dinner Ma's* and *X'mas With The Mas*. On the other hand, leading actors of a popular comedy, *Short End Of The Stick* filmed a new travelogue *Dickies On Tour* in Phuket.

Self-produced cooking programmes and travelogues featuring veteran hosts continued to attract high viewership on terrestrial channels. Hosts Maria Cordero and Steve Lee Ka Ding dazzled the audience with their superb culinary skills in their respective programmes, *Good Cheap Eats (Sr.6)* and *The Ahistoric Grandpa Cooking Show (Sr.2)*. The recent hottest travel partners, Do Do Cheng Yue Ling and FAMA brought audience light-hearted jokes in their travelogue, *DoDo Goes Shopping (Sr.2)*. *Faraway Brides*, a reality show which unveiled the stories of Hong Kong brides with cross-cultural marriages in pursuit of happiness won high applause. Music programme *50 Golden Classics*, bringing together top-notch composer Michael Lai Siu Tin and his handpicked classic songs performed by veteran singers delighted the audience at its weekly Sunday night prime time slots.



TV Awards Presentation 2017



Miss Hong Kong Pageant 2017



TVB 50th Anniversary Gala



50 Golden Classics



DoDo Goes Shopping (II)

REVIEW OF OPERATIONS



J2 has strengthened its image as a trendy and innovative channel, with self-produced programmes targeting the young audience.

Following the launch of Big Big Channel, J2 has rolled out a new series of self-produced talk show *Young And Restless*, which aimed to deploy J2's featured host and Big Big Channel's KOLs to cultivate a young community. J2 aired the *Big Big Channel Concert in Taiwan* to mark the expansion of TVB's digital media service into Taiwan. Popular in-house produced travel programmes like *Fun Abroad*, *Thai Rogered* and *Helen TO-KYO* continued to engage well with young audience.

Acquired programmes play an important role to maintain J2's young appeal. In 2017, popular Asian dramas like *Doctor-X (IV and V)*, *Chef ~ Three Star School Lunch ~*, *Legend Of The Blue Sea*, *Saimdang*, *Memoir Of Colors*, *Wu Xin The Monster Killer (II)* and variety shows like *The Law of the Jungle* and *Running Man* drew good viewership. J2 also brought *The 11th Asian Film Awards* the world's most influential regional award to audience.

1.9 TVRs

J2
prime time
(7% of Total TV)



Buskkkkk Music



Organised Dining



Young And Restless

REVIEW OF OPERATIONS



TVB News remains Hong Kong's most watched 24-hour news channel. This service is also the audience's "go-to" place for breaking news and major events. On the day when signal no.10 was hoisted for Typhoon Hato, the channel recorded its highest daily reach of over 3 million viewers. Live telecast of the 2017 Chief Executive Election was another record event with ratings averaged at 5.0 TVRs. In addition to in-home viewership, TVB News also engages with more than 1.5 million audience-times daily through out-of-home screens and TV sets in Hong Kong.

The channel endeavours to deliver the most up-to-date, accurate and comprehensive information local and international news. In addition to having our reporters based in Beijing, Guangzhou, and Taipei, a new bureau was set up in Macau.

In March 2017, TVB News offered in-depth live reports on the 2017 Chief Executive Election across terrestrial channels and online platforms, keeping viewers abreast with developments. During the three-day official visit of President Xi Jinping to Hong Kong for the 20th anniversary of Hong Kong's return to Mainland China, Jade and TVB News captured closely the public engagements of President Xi.

To celebrate the station's 50th anniversary, TVB News presented a special documentary *Hong Kong 50 Years* to portray stories of Hong Kong over the past half-century by narrating significant old days and lifestyles, interviewing eminent individuals from many sectors, and reiterating precious content from the archive.



Scan to discover
TVB News Channel

1.7 TVRs

TVB News
prime time
(6% of Total TV)



TVB News Studio

1.2 TVRs

Pearl
prime time
(5% of Total TV)



The
OSCAR[®]

The Oscars[®]
Oscar Statuette:
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Planet Earth II
Copyright BBC Worldwide 2016



Hong Kong Masters 2017



REVIEW OF OPERATIONS



First-rated documentaries, movies, drama, lifestyle programmes, and global events helped solidify Pearl's status as an up-market, stylish and international channel.

To celebrate the station's 50th anniversary, Pearl presented the BBC's landmark natural history documentary *Planet Earth II*. In a total of seven episodes, the series brought audience to experience new filming technology and a better understanding of the natural world through amazing stories from islands, mountains, jungles, deserts, grasslands, and cities.



Prison Break
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Pearl has been carrying the world's most glamorous Hollywood event, *The Oscars*® since the launch of the channel and the 89th edition was broadcast live in February 2017. Pearl proudly became the official broadcast partner of The Masters of Hong Kong 2017 which is now an established prestigious event in the equestrian field.

Weekend blockbuster movies have remained the most appealing category on Pearl. Fairy tale-themed movies are always welcomed by Pearl audience, *Beauty and the Beast* and *Frozen* secured the first and second places respectively in the ratings chart. Pearl also excited audience with the TV premiere of *Prison Break*.

Other iconic genres of Pearl were the signature documentary timeslots – *Pearl Spectacular* showcasing the natural wonders, and *Well Being* provided latest health information.



Dolce Vita

REVIEW OF OPERATIONS



TVB Finance & Information Channel is the only free 24-hour finance related free TV channel in Hong Kong. In less than a year since its rebranding, TVB Finance & Information has successfully built its image of a high quality wealth and knowledge channel and accumulated an audience pool of investment savvy fans.

Apart from latest coverage and expert analyses on the stock market during trading hours, TVB Finance & Information offers a series of self-produced financial and investment programmes during prime time, such as *Finance at 10*, *A Property A Day* and *Closer Look At Property*. Other knowledge-based programmes such as *Academia Without Borders*, *Vital Lifeline*, *A Dream Home Planning* and *Innovation GPS* offer audience with multiple choices.



Biz Triz



A Dream Home Planning



A Property A Day



The Launch of TVB Finance Channel

0.7 TVRs

TVB Finance & Information prime time (3% of Total TV)



Hong Kong 50 Years



Innovation GPS



Closer Look at Property



TVB Finance & Information Channel Studio



Scan to discover
myTV SUPER



The Return
of Superman
© KBS



Battle Trip
© KBS



A Bite of Shunde



Saimdang, Memoir of Colors
© Emperor Entertainment Group & Emperor Entertainment Korea / Group 8



Purple Hairpin



Keep Running

REVIEW OF OPERATIONS

OTHER TVB-PRODUCED CHANNELS

TVB produced an array of 15 thematic channels for myTV SUPER. The channels include Japanese Drama, Korean Drama, Chinese Drama, Asian Select, TVB Classic, Classic Movies, Asian Variety, Food, Travel, Sports, Jade Catch Up, Entertainment News, TVBN2, TVB Radio and the newly introduced Chinese Opera Channel.

To promote the legacy of traditional Chinese theatre, Chinese Opera Channel was launched in June 2017. This channel engages avid fans of this unique art form by assembling renowned excerpt performances and stage plays performed by Chinese opera virtuosos, prominent artistes and rising stars of the field. Huge efforts were made to uncover and compile more than 250 excerpt performances from the archive. These invaluable performances extracted from charity shows and EYT include *Love in the Red Chamber*, *Lust is the Worst Vice*, *Romance of the Phoenix Chamber*, *Emperor Kwong Sui's Nocturnal Sacrifice to Concubine Zhen*, and *Reunion of Sword and Hairpin*. Also, distinguished stage plays were featured as weekend highlights like *The Purple Hairpin*, *Princess Chang Ping* and *Lam Kar Sing Series*.

Entertainment News allocated much resources to deliver real-time coverage of both local and global entertainment events including *The 36th Hong Kong Film Awards Special*, *The Oscars® Red Carpet Live* and *53rd PaekSang Arts Awards*. Various break-in news were arranged to cover first-hand local showbiz buzz such as the red carpet of *TVB 50th Anniversary Gala* and the *TV Awards Presentation 2017* nominations announcement.

TVB Classic lined up trademark gag shows that were ground-breaking and hugely popular in the 1990's such as *The Funny Half Show*, *Peculiar DJs Peculiar Show* and *Singing with Fun*. Moreover, *Stardust Memories...* *Liza Wang* series was assembled to celebrate a TVB long-standing icon, Liza Wang Ming Chuen's accomplishments over a span of 50 years.

TVB's drama channels, Japanese Drama, Korean Drama and Chinese Drama, strived to air Cantonese-dubbed versions of premium titles from Japan, Korea, Taiwan and Mainland China shortly after their local telecast.

Asian Variety, Food and Travel channels were showing an uptrend in viewership performance in 2017. The channels served as an excellent leisure and entertainment platform by providing signature variety shows, acclaimed food documentaries and global travelogues such as *The Return of Superman*, *Keep Running*, *A Bite of Shunde* and *Battle Trip*.

PROGRAMME PRODUCTION

"Content is king". TVB is committed to producing an immense selection of high quality original content for audiences. The total local production hours in 2017 was nearly 23,700 hours, of which 4,320 hours were attributed to Jade. Of these, approximately 700 hours of dramas were produced to meet the demand of Jade during prime time. Since 2016, we have been building an additional production pipeline to meet the demand of a new series of drama serials for our Chinese partners for their online platforms. During 2017, three drama serials under this arrangement were broadcast concurrently in Hong Kong and on the Chinese online platforms. For 2018, more new titles will be ready for delivery.

At the end of December 2017, TVB had contracted with over 700 artistes. These pools of artistes provide the Company with a stable and large pool of talents for production of programmes, covering drama serials and non-drama programmes. From time to time, the Company seeks to expand this pool by contracting with young talents through our own beauty pageants and talent contests as well as hiring from performing art schools.

In Hong Kong, TVB is also supported by a series of 23 production studios and the strongest television production team in Hong Kong, including experienced production team in shooting, make-up, costume design, creative teams which comprise of executive producers, directors, script writers. In addition, the hardware supporting the production comprises two outdoor shooting sites located within the compound of TVB City and outdoor shooting vehicles. These facilities are regularly subject to upgrades and improvements in order to meet the demand of today's production needs.