

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

PROGRAMME LICENSING AND DISTRIBUTION

Operations in this business segment, comprising mainly the distribution of TVB's programmes outside Hong Kong through telecast, video and new media distribution, which accounted for 20% of the Group's revenue in the year. Total segment revenue decreased 4% from HK\$1,019 million to HK\$982 million mainly due to lower telecast licensing income from Mainland China and Malaysia, which was partially offset by the increased digital new media income from major PRC online operators.

Infringing sites and illegal boxes offering pirated TV programmes have taken their toll on the subscription TV businesses of our licensees in traditional markets like Malaysia and Singapore. Moreover, it has become a growing trend for the younger generation to download viewing material from sources online.

Free TV operators are now shifting their resources to explore and develop new media platforms, at the same time reducing their investment in the conventional TV business. Evidently, more telecommunications operators are embarking on new media ventures so as to strengthen their competitiveness in the market.

With changes in the media landscape, audiences are able to access a variety of viewing material via different platforms. Although contents from Korea and Mainland China seem to be popular in our markets, investments in local productions adopting TVB programme format have proven to be a success. Overseas counter-parts such as *All things Girl*

and *Maria's Auspicious Menu* produced in Malaysia; *Chef Minor – Singapore* and *Wellness on the Go – Singapore* received good feedbacks from both markets. Such business ventures have helped publicise and heighten awareness of the TVB brand. This is crucially important to us especially in the face of challenges arising from new media consumption patterns.

We look forward to launching an OTT service in Malaysia by mid-2018 in collaboration with local network operators. In Singapore, we are working on a similar plan to expand traditional pay TV to OTT services. Our vision is to diversify and gain market share capitalising on contents specifically designed for the new media platforms and catering to the needs of the changing behaviour of consumers.

Digitisation in the TV industry has facilitated the growth of content licensing business. The increase in digital TV channels is driving a long-term need for programme content. This will become a golden opportunity for us to license our library materials.

MAINLAND CHINA OPERATIONS

Our operations in Mainland China included programme production and traditional licensing of content produced by TVB.

During 2017, we developed strategic cooperation with online operators on production of platform-exclusive drama serials. The first three drama titles were completed and broadcast concurrently in Mainland China and Hong Kong with notable successes, which included *Legal Mavericks* co-produced with iQiyi online platform; *Line Walker: The Prelude* and *Heart And Greed* co-produced with Tencent online platform.

We believe that, through working with these major online platforms in Mainland China, we can target this prominent and rapidly growing segment by showcasing a distinctive Hong Kong-originated drama genre.

Under this co-production arrangement, TVB, as the production house, would execute the entire drama production for a



Big Big Channel Star Party In Malaysia 2017