

# REVIEW OF OPERATIONS

production fee. Exploitation of the associated rights are allocated between the respective online partners (taking the PRC rights) and TVB (taking all of the non-PRC rights including Hong Kong and Macau). A number of new productions are currently in various stages of preparation which included *Deep In the Realm of Conscience*, *Another Era*. We anticipate that at least two new titles, subject to governmental vetting, can be released in 2018.

Licensing of TVB home-produced titles to traditional media platforms in Mainland China remains a tough business. Difficult operational environment faced by the national satellite television platforms; stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television over imported programme titles; and prolonged delays in improving the licensing arrangements in the Guangdong Province, are restricting TVB's ability to license TVB content to the traditional media.

In line with the shift from the traditional platforms to digital, our licensing of TVB content to Youku Tudou platforms have benefited from this shift. With the strong funding backing the digital new media sector, we are directing our efforts into digital and will commit more efforts and resources on exploring new media business in the coming years.

## OVERSEAS OPERATIONS – OTT AND PAY TV

Infringing sites and illegal boxes offering pirated TV programmes continued to adversely affect our overseas pay TV business. The segment revenue declined 10% from HK\$169 million to HK\$151 million in 2017. Migration from our traditional satellite TV service to the enhanced OTT platform was completed.

## TVB ANYWHERE

Leveraging on technological advancements and the high speed internet service, we have resorted to the development of TVB Anywhere around the globe. Excepting a tiny number of territories, TVB Anywhere is accessible everywhere through the Internet. Macau, Canada, Australia, New Zealand, UK and Europe are the key markets for the first phase of launch of our service. An upgraded service of TVB Anywhere was launched in June 2017, offering an extraordinary viewing experience and more diversified contents to our overseas audience.

On 11 December 2017, we launched a premier TVB Anywhere service with the cooperation of Companhia de Telecomunicações de Macau S.A.R.L., the largest telecommunication company in Macau. Remarkable sales performance was achieved during the first month after launch. This proves the effectiveness in recruiting subscribers by bundling our service with telecommunications companies. The extended exposure of TVB to Macau is perceived as significant in consolidating subscription and advertising revenue.

Further to the launch of premier service in Macau, localisation of TVB Anywhere services in the Southeast Asian markets will be our focus in 2018. While the Chinese-speaking communities are targeted as our key audiences, we saw a breakthrough in the tradition in 2017. Vietnamese-dubbed versions of our programmes were offered to non-Chinese local subscribers in Ho Chi Minh City. We are planning to take this concept further, via the TVB Anywhere platform, offering the local communities TVB programmes dubbed or subtitled in different Southeast Asian languages. We shall venture into the future with full commitment. Not only shall we expand our foreign language service concept, but will also seek improvement in enhancing the programme choice and mix. We foresee improvements, in terms of subscription and advertising revenue, as we gain popularity and recognition around the world, especially in Thailand, Cambodia and Laos.

Advancements in technology have made transmission of TV programmes borderless. Alongside with TVB Anywhere service operated via the STB and mobile applications, we have been exploring business opportunities with overseas manufacturers of electronic devices, through Android Package Kit (APK) installation on tablet, smart TV, desktop PC, etc. The branding of TVB Anywhere service will be further strengthened with this move.

In December 2017, we collaborated with Alisports in the coverage of eSports on TVB Anywhere. During the period from 11 to 14 January 2018, we provided live streaming of the World Electronic Sports Games 2017 APAC Finals held in Jiaozhou, Qingdao, coupled with Mandarin and Cantonese commentaries. eSports will be a major project of TVB Anywhere, in terms of content acquisition and revenue generation. There will be new business opportunities as our target audience will be expanded to the younger generation.

## NORTH AMERICA (USA)

Our new media services managed to recapture some market share back from the otherwise the free and illegal market. Both viewership and advertising revenue are showing promising results. We are more than ready to tackle problems arising from infringers by the use of specialised sales and marketing techniques.

Last year, we won a court case against an illegal OTT syndication. This was an encouraging achievement in the long-drawn battle.

## CHANNEL OPERATIONS

In 2017, we adopted an aggressive strategy of producing more original local productions on cooking, health & wellness and travelogue in Malaysia and Singapore. The programmes of *Wellness-on-the-go*, *Chef Minor Singapore* and *Experience Singapore* attracted our targeted young generation in the audience groups. These developments provided added value services to new and existing subscribers and affiliated platforms, all of which made us more competitive in these markets.

We have strengthened publicity and promotional activities in the social media platforms in Malaysia and Singapore, whereby we extended the involvement of our targeted young generation viewers.

However, advertising sales revenue was hard hit by the stagnant economy, the depreciation of the Ringgit and the political situation in Malaysia. In order to overcome these challenges, our sales team will explore new business opportunities with customers in Malaysia and Singapore by offering tailor-made sales packages and proposals of local production projects.

## COMBATING PIRACY

In 2017, the problem of illicit streaming devices (ISDs), including TV boxes and apps, remained to be a major threat to TVB's businesses, especially on overseas pay TV and licensing of programmes.

Governments in different countries have stepped up their efforts in combating the problem. Industry coalitions have been formed to share intelligence, take legal actions and lobby governments to improve national legislation or implement administrative measures to halt the problem.

In the US, TVB succeeded in shutting down the operation of an ISD "TV Pad" through a legal action in 2016-17. A similar legal action against another ISD is due to conclude soon and a favourable outcome is expected.

In Australia, TVB filed an application with the court in mid-November 2017 for seeking a site-blocking order to require internet service providers to block foreign infringing streams on TVB programmes from reaching ISDs in Australia. We are positive about the outcome which is expected before mid-2018.

Similar site-blocking actions are being planned for other markets, including the UK and Canada.

Successful criminal investigations against piracy syndicates and ISD retail shops were reported in different countries. Criminal convictions with jail sentences were also seen in different jurisdictions, including the UK and Hong Kong. On 28 December 2017, three individuals were given jail sentences in Hong Kong for infringement offences running an ISD operation.

Effective legislation to tackle ISD activities is generally lacking in most countries. Lobbying efforts were made in the past few years with governments in the US, the UK, Canada, Australia, Singapore, Malaysia and Hong Kong for improving their domestic copyright legislation, and such efforts will continue. TVB has joined separate anti-piracy industry coalitions in the US, the UK, Canada and APAC region, and is actively involved in joint actions to suppress ISD activities in these jurisdictions.

To support TVB's business development in new overseas markets such as Vietnam and Thailand, initial contacts have been established with senior government officials on anti-piracy work in these countries. Positive responses have been received. Further efforts will continue to be made to combat piracy activities in these markets.