

CHAIRMAN'S STATEMENT

DR. CHARLES CHAN KWOK KEUNG



On behalf of the Board of Directors of Television Broadcasts Limited ("Board"), I would like to present the Company's financial results and the major developments for the financial year ended 31 December 2018.

FINANCIAL PERFORMANCE AND DIVIDENDS

During the year, the Group's revenue grew by 3% to HK\$4,477 million. Gross profit increased by 6% to HK\$2,141 million. An impairment charge/loss in the amount of HK\$500 million was recognised in the profit or loss account against bonds issued by SMI Holdings Group ("SMI") in the nominal amounts of HK\$830 million. Loss per share was HK\$0.45 (2017: earnings per share HK\$0.56). In the absence of the impairment charge/loss of HK\$500 million against SMI, the Company would have reported a profit attributable to equity holders of HK\$301 million for the full year, compared with a profit attributable to shareholders of HK\$243 million for the year ended 31 December 2017.

The Company's policy for dividend is to maintain as far as possible a steady dividend stream to shareholders. The level of such dividend payments is a reflection of the Board's view of the long term profitability of the Company's business.

The Board declared an interim dividend of HK\$0.30 per share on 22 August 2018. Based on the result before the impairment charge/loss which is a non-operating cash item, the Board has recommended a final dividend of HK\$0.70 per share, making a total dividend of HK\$1.00 per share for the full year.

BOARD STRATEGIES AND KEY ACHIEVEMENTS

The internet has had a profound impact on the way we live and work. Often described as the "third" industrial revolution, the internet brings positive changes to improve our lifestyle and the way we receive information and content, but severely disrupts the old economy companies with conventional business models. Many companies are urged to adapt new models, in order to sustain in business and to grow.

The year of 2018 was a year full of challenges. The ongoing US-China trade disputes and the reality of an economic slowdown in Mainland China gave rise to headwind and increased uncertainties. Despite of these challenges, the Board is committed to transformation and staying ahead of the curve.

To confront these disruptive changes, the Board has adopted three clear strategies for long-term development: investing in digital platforms; raising content standard; and developing new markets, all of which are crucial to our future successes.

We have made a number of clear strides in building new digital platforms to complement our terrestrial TV business. Within a period of three years, we successfully launched two substantial digital platforms – over-the-top ("OTT") platform (via myTV SUPER and TVB Anywhere), and social media platform (via Big Big Channel) which have gained wide market acceptances. With its unrivalled track record, Jade channel is well-positioned to help develop viewers'



base for the new digital platforms. In 2018, closer integrations between platforms remained our key business priority. With content propositions in both long and short formats designed for TV broadcasting and mobile devices, we are endeavouring to address the needs of a wide range of audience including those digitally savvy young viewers.

In April 2019, myTV SUPER will be turning three. With more than 7.3 million registered users, myTV SUPER is the second most-watched platform after Jade and is the leader of OTT TV service in Hong Kong. We are continuing to attract new subscribers through our own channel and our ISP partners. To further develop advertising sales, we are strengthening our library content to drive consumption and broaden the demographics. As a new extension to our Big Big Channel business, I am pleased to note that Big Big Shop, an e-shop platform, began service in mid-2018 and has delivered notable sales records to date.

Mainland China is our key market for growth. In the online world, we are witnessing an explosive growth in online video businesses with mega online players competing heavily for content and audiences. Strategically partnering with Tencent and iQiyi to develop high quality content, TVB continued during 2018 with the co-production model to create drama content with a "Hong Kong-produced" label, serving both Mainland China and our domestic market. Three co-production titles (*Deep In The Realm of Conscience*; *Another Era*; and the soon-to-be-released *The Defected*) were delivered to our partners, which resulted in an encouraging jump in co-production revenue. Whilst the growth in co-production revenue was promising, we are mindful of the changing landscape for content production in Mainland China which could be subject to regulatory measures at short notice. In the long run, we aim to further scale up the ratio of co-production drama against TVB's overall outputs.

Our licensing business in Mainland China made good progress. Under TVBC, our subsidiary and sole distributor agent, we continued to license TVB drama content to national networks and online video partners including Youku Tudou. To position for growth in this important market, we increased our stake in TVBC from 55% to 70% during the year.

We are fine-tuning our programme licensing and distribution business to adapt to market changes. Technology disruption is equally impacting our platform customers in Singapore, Malaysia and Vietnam, as their steady subscription revenue is increasingly under pressure. We are working together with our customers to resolve these business interruptions in a partnership manner.

ENFORCEMENT PROGRESS

TVB is committed to protecting our intellectual property rights by engaging in proactive anti-piracy and enforcement programmes in all of our major overseas markets. During the year, we have made significant progress in Australia and Singapore in combating piracy by way of site-blocking orders. We are also starting similar site-blocking actions in other overseas markets, including the UK and Malaysia.

GOVERNANCE

I am most thankful to my fellow Board members for their guidance and support. The Board is supported by a total of eleven members, and its membership remained stable. With this sizable Board, I believe that we have a strong mix of skillset and depth of knowledge for our business.

OUTLOOK

2019 will continue to be full of challenges for the Board and the Management. We are confident that with the timely rollout of myTV SUPER and Big Big Channel, we have gained an important footing in the digital marketplace during a period of transformation. We foresee that Big Big Shop will be a beneficiary of the strong promotional power of our terrestrial TV channels. The recent relaxation in indirect advertising regulations is expected to provide the much needed impetus for growth.

Charles Chan Kwok Keung
Chairman

Hong Kong, 20 March 2019