

# REVIEW OF OPERATIONS

## HONG KONG TV BROADCASTING

Hong Kong TV broadcasting business continued to be the largest revenue contributor, accounting for 65% of the Group's revenue. This segment includes Hong Kong terrestrial TV broadcasting and the co-production of drama serials partnering with leading Chinese online video platforms. During the year, segment revenue from external customers increased by HK\$105 million or 4% year-on-year from HK\$2,818 million to HK\$2,923 million mainly due to higher co-production income earned during the year.

## ADVERTISING REVENUE

The year of 2018 started on a fairly optimistic tone. However, tensions arising from US-China trade disputes intensified since mid-year, bringing volatilities to the stock markets around the world and dampening market sentiments. In Hong Kong, Gross Domestic Product (GDP) growth and retail sales index exhibited a notable slowdown in the third quarter and slackened further in the last quarter of the year. In this climate, advertisers are acting cautiously before making air-time investments. As recorded in the interim report for the period ended 30 June 2018, income from advertisers registered a mild 2% year-on-year growth, which supported momentarily a recovery after a prolonged decline since 2015. However, this growth did not further in the second half of the year as the slowing Mainland China economy dampened consumers' sentiment. The influx of cross-border tourists brought by the opening of two transport links: the high-speed rail connection with Mainland China and the Hong Kong Zhuhai Macau Bridge, failed to translate into an immediate spending bump, given the depreciation of Renminbi and Mainland China's crackdown on grey-market imports of luxury goods.

The weaker economy and cautious consumption sentiment had taken a toll on our income from advertisers, resulting in a 3% year-on-year decline in the second half of the year. Overall for the full year, the income from advertisers on terrestrial TV channels sustained a marginal decline of 1% from HK\$2,459 million to HK\$2,440 million.

As the most watched platform in Hong Kong, TVB channels continue to attract a diversified advertiser base. The fast moving consumer goods ("FMCG") category continued to dominate our client base. Overall, the rankings of the key advertisers in the spending league table were maintained stable with the five top spending categories mirroring those of last year. Milk powder secured the top spending position but witnessed a further decline this year as the retail sales had persistently been affected by enforcement of the hand-carry limit for infant formula across border, a law introduced back in 2013. The second largest category, loan and mortgage companies continued to use TV commercials for their image-building campaigns and had increased spending from last year. Skincare category, secured the third position with an ad-spend growth reversing the downward trend since 2014. But it is still too early to conclude a turnaround for this category. The fourth and fifth largest spenders – travel agents, and pharmaceutical and healthcare supplements, had both recorded promising growth. However, advertising revenue from the Government and related organisations weakened, as there were no special events and campaigns in 2018. Local properties and mobile phones advertisers reported a shrinking trend with fewer product promotions.

We continue to offer air-time packages and tailor-made packages to coincide with key local events and the seasonal festivities which were successful in bringing in advertisers looking for campaigns to coincide with their product promotions. We will continue to tap into new advertising categories, and to further enlarge our client base into nearby cities in the Greater Bay Area.

With the recent relaxation in regulations governing indirect advertising in TV programmes, we are seizing this opportunity to work on product sponsorship in dramas and variety shows. We are directing our efforts to provide ample scope for display of products and incorporation of products into the theme of programmes.

## TERRESTRIAL TV CHANNELS

As one of the world's largest Chinese content producer, we create annually over 23,000 hours of news, variety, drama, travelogue and current affairs programmes. Thanks to the popularity of original TVB content, our terrestrial TV platforms maintained a dominating audience share in Hong Kong. On average, our five terrestrial TV channels reach 5.6 million viewers in homes and 1.6 million viewers out-of-home in Hong Kong every week<sup>1</sup>. During the year, the average audience share<sup>2</sup> of TVB's terrestrial channels against all of the free and the pay TV channels in Hong Kong during weekday prime time was maintained steady at 82%.

Our five terrestrial TV channels, each with clear demographic targets, complement one another well. Jade, the flagship channel, is well-liked by the mass market. J2, targeting the adolescent audience, offers chic and creative content, using self-produced and acquired programmes. TVB News has established as one of the most trusted sources of news content and is the most watched news channel in Hong Kong. Pearl is our only English channel and keeps the mass English speaking audience entertained. TVB Finance & Information, in its revamped form, presents insightful stories and analyses relating to the financial, property and topics of general interests. These circumspective arrangements have rewarded us with an impressive viewership.

TVRs serve as important KPIs for our advertising business and are collected programme-by-programme and minute-by-minute in order for us to measure the programme's performance. The average prime time in-home live rating<sup>3</sup> and the average percentage audience share by channels for 2018 are as follows:

	2018	
	TVRs	% of Total TV
Jade	20.1	68
J2	1.6	6
TVB News	1.5	5
Pearl	1.0	4
TVB Finance & Information	0.6	2

TVB programmes attract substantial viewership from neighbouring cities in the Greater Bay Area. Jade is one of the top three most watched channels in Guangzhou, Foshan, Zhongshan and Zhuhui during weekday prime time, reporting an average rating of 2-3 TVRs<sup>4</sup> in each city. In Macau, Jade's average weekday prime time TV rating was 15.3 TVRs<sup>5</sup>.

<sup>1</sup> Average reach is the average number of viewers contacted for a specific period. Data source: CSM Media Research and Nielsen Out-of-home Study.

<sup>2</sup> 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. Data source: CSM Media Research.

<sup>3</sup> Live rating represents the size of the audience expressed as a percentage of the total TV population. For 2018, the total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research.

<sup>4</sup> Data source: CSM Media Research

<sup>5</sup> Data source: Nielsen Macau Study

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Jade is the flagship channel of the Group, and during 2018, Jade maintained a steady in-home live rating of 20.1 TVRs during weekday prime time, and an audience share of 68% of all TV channels in Hong Kong. With a high mass appeal, Jade plays an important role in driving synergy across all platforms. The catch-up viewing on myTV SUPER and live viewing on myTV SUPER app and web, and out-of-home TV sets further contributed an additional 4-6 TVRs<sup>6</sup> to Jade's prime time programmes.

20.1 TVRs

Jade  
prime time  
(68% of Total TV)

## Drama

TVB continues to invest in prime time programmes using self-produced dramas. This genre has consistently secured the position of the prime time blockbuster.

*Life on the Line*, a hit drama presenting amazing rescue stories of ambulance elites led by Joe Ma recorded a consolidated TV rating<sup>7</sup> of 29.3 TVRs on TVB's platforms and became the highest scoring self-produced TV drama in 2018. The drama has a refreshing theme for



Life On The Line



viewers who may not be familiar with the duties and lives of paramedics. Based on true stories, this drama touches the hearts of our audience. A special online edition of a life and death scene of a main cast drew netizen's attention, which helped drive catch-up ratings further.

A family drama, *Who Wants A Baby?* tells a story of a career-minded couple, whose lives have been disrupted by an unexpected pregnancy. The emotionally wrought and physically challenging experience of caring for their new born 24/7 not only drifted the couple apart, but also stirred up conflicts with their mothers. The role of a new mother, portrayed by Ali Lee, gained much audience's resonance and acclaims. This drama registered a consolidated TV

rating of 28.1 TVRs on TVB's platforms, making it the third highest scoring drama in 2018. The success of this programme attracted product sponsorship and spin-off advertising campaigns from baby product brands.

<sup>6</sup> Data source: Nielsen (SiteCensus & Out-of-home Study)

<sup>7</sup> Consolidated TV rating is an average rating of a programme summing spectrum rating (in-home and out-of-home), live and as-live viewing on myTV SUPER (STB, APP, Web) as well as VOD consumption of that programme within seven-day period after being aired on terrestrial TV. For 2018, the total TV population comprises 6,554,000 viewers, and 1 TVR represents 65,540 viewers (1% of the total TV population). Data source: CSM Media Research, & Nielsen (SiteCensus & Out-of-home Study).



Who Wants A Baby?



The Learning Curve Of A Warlord



Fist Fight



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Co-produced with Tencent Penguin Pictures, *Deep In The Realm Of Conscience* was a highly-anticipating second sequel to 2009's *Beyond the Realm of Conscience*. This grand production costume drama, shot on location at Hengdian World Studio, was set to tell a story of Tang Dynasty palace intrigue, interweaved with deceit and truth, hatred and love. The sequel which boasted a fresh cast starring hot faces like Steven Ma, Annie Liu in local TV drama series, attracted a consolidated TV rating of 28.6 TVRs on TVB's platforms, and was ranked the second highest viewership.

*Another Era*, a sequel to the classic *At the Threshold of Another Era* telecast in 1999 was released on Jade's prime time. This title was a grand co-production with iQiyi. The story of *Another Era* spans an entire decade, beginning with the global financial crisis of 2008. An ambitious businessman, together with his family members, allies and rivals, were drawn into a new era of business war. The villain role played by Roger Kwok, the returning cast member from the original Era series, provoked a great deal of controversy from the online community.



Deep In The Realm Of Conscience



During the year, four drama serials were licensed to Youku Tudou in Mainland China in sync with their broadcast schedule in Hong Kong. Legal drama *OMG, Your Honour* and professional drama *Life On The Line* shed light on the hardships of lawyers and ambulance elites respectively, gained high applause from Mainland China audience. The diligently created characters and their inspirational story lines left a deep impression on the audience. Modern action suspense thriller, *Fist Fight*, which was filmed on-location in London, Manila and Hong Kong, excited audience with plenty of fight and gun scenes. This drama told a story of three young brothers who were reunited after many years of separation and discovered together a great conspiracy behind the deaths of their parents.

The return of veteran actor Dicky Cheung to TVB who played the role of warlord in the light-hearted comedy *The Learning Curve Of A Warlord* rejoiced the fans. The serials set in post-Qing China and chronicle the journey of a ruthless man who succeeds as one of the most powerful warlords in the region. Cheung's highly-entertaining and witty dialogue delivered in his unique style, together with shining moments of the supporting cast kept audience engaged. This drama attracted a consolidated rating of 27.7 TVRs, proving it as one of the top five favourite genres in 2018.



Another Era

OMG, Your Honour



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## Non-drama

With the relaxation of regulations governing indirect advertising becoming effective in July 2018, advertiser-sponsored products can now be embedded in programmes more prominently. Brand marketers are expecting to deliver more authentic experiences to consumers. We are working closely with clients to seamlessly execute and integrate product placements into programmes. Notable initial successes included two popular prime time shows, *Scoop*, an infotainment programme featuring latest happenings daily at 7:30pm and a long-running weekday sitcom at 8:00pm, *Come Home Love: Lo and Behold*, where product sponsorships are naturally integrated in the setting and storyline of both programmes. The well-received characters of *Come Home Love: Lo and Behold* has also enabled us to create more reverse product placements for advertisers. During the year,

this sitcom which attracts younger demographics with an extended cast and popular guest appearances, reported a higher consolidated TV rating of 25.8 TVRs. The newly-added reinforcement functions on myTV SUPER such as targeted in-stream videos, clickable U-shaped wallpaper, and connectable QR code to guide consumers to advertisers landing page add value to a one-stop marketing solution. More shows in the pipeline will follow this monetisation strategy.

TV consumption has become more interactive with the birth of social media, a platform where audience can discover exclusive content, engage with celebrities and chat before, during and after the shows. Having a strong social media following can help the shows going robust before premiere. In 2018, we optimised



Scoop



Miss Hong Kong Pageant 2018



Sammy On The Go (Sr.2)



The Ahistoric Grandpa Cooking Show

the workflow to create more exclusive short videos for Big Big Channel, releasing more making-of videos, funny blooper, behind-the-scenes tidbits, and artiste live chats on major social media platforms. The effective use of promoting shows online extends the peripheral value of content and generates positive feedback from product sponsors. Travelogue *Sammy On The Go* adopted this new production arrangement, by hosting anchors' live chats during outport filming.

In view of the increasing popularity of online shopping, we opened our e-shop Big Big Shop in July 2018, leveraging the influential power of our three platforms and talents. A few TV programmes were specifically designed to execute our "showing on TV, selling in Big Big Shop" model. By engaging celebrities to promote

advertiser-sponsored products during prime time shows, we made a revolutionary move by shifting audience from a passive mode to an active instant e-shopping experience. We pioneered this direct sales format with Jade flagship cooking programme *Good Cheap Eats 7*. The sales record and market feedback were very encouraging. Other programmes, such as *Eat Well Mom*, *Big Big Channel 1<sup>st</sup> Anniversary All-Star Gala* and special segment in *Scoop* were developed to nurture e-commerce businesses.

Our signature annual shows, such as *TV Awards Presentation*; *Anniversary Gala Show*; and *Miss Hong Kong Pageant* continued to score high ratings in 2018. Audience enjoyed the glitz and glamour performance of TVB artistes and the interactive spin-off on Big Big Channels made the shows even more memorable.



TV Awards Presentation 2017

Come Home Love: Lo And Behold



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1.6 TVRs

J2  
prime time  
(6% of Total TV)



J2 has enriched its programme line-up by offering more chic and creative programmes targeting the adolescents. With a majority of our prime time shows produced in-house, we are passionate about creating engaging content which appeals to the young audience. Synergising with Big Big Channel social media platform, we deploy compelling content starring J2's featured hosts/KOLs to cultivate a group of superfans.

A series of programmes was proudly created to celebrate the 10th anniversary of the channel, such as *Big Boys Club: J2 10th Anniversary Special*, and *My, It's*

*Been Ten Years*. J2's longest-running programme, *Big Boys Club*, has been rearranged to an earlier time slot to capture more viewers. This programme will present a new look in 2019 with a fresh studio setting and enriched content.

Weekday's early prime time was revamped with innovative shows from Taiwan's Big Big Channel production team. Programmes ranged from travelogue *Bona Fide Taiwan*; *Taipei Untouched*; *Inspiring Journeys* to food programme *MASA's Taste of the Day*; beauty programme *Epicurean Girls*; and lifestyle programme *Trend in Taiwan*.

J2 and Big Big Channel continued to work together to cultivate young fans and to ramp up monetisation. Notable successes included featured talk show *Young*



Big Boys Club

eSports Central



Young And Restless

And *Restless* and two newly-added programmes, *Big Big Beauty* and *eSports Central*. The ability to engage with targeted audience both on-air and online has empowered us to share a bigger slice of the expanding e-commerce pie and product sponsorship budget. *Young and Restless*, anchored by young rising stars, Luk Ho Ming, Louisa Mak, Crystal Fung and university student KOLs, gained popularity and acclaims on the social media for its lively and spontaneous chats.

New interactive programme *Big Big Beauty* showcases the latest trendy products in form of consumer testing

and endorsement by chic anchors. This programme adopts the “showing on TV, selling in Big Big Shop” model, using post-show tutorials and product demonstrations on Big Big Channel to help complete the purchase in Big Big Shop.

J2 presents a brand new programme *eSports Central* to keep e-sport fans updated on the trendiest games, e-sports products and stadiums. Turning into “E-Sports King”, Brian Tse and Joey Thye mingle with other e-sportsmen to show off their skill sets and gaming strategies.





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Pearl continues to offer up-market and stylish programmes to upkeep its position as the leading English channel in Hong Kong.

In its 12th year, *Dolce Vita* has been revamped with intriguing lifestyle segments and themes. A new local documentary *Pearl Magazine* was launched with features and stories for local audiences. The return of *In Vino Veritas 4* brought Pearl's premium viewers

extensive wine knowledge and beautiful chateaux from international wine growing regions. These self-produced programmes will benefit from the relaxation of regulations governing indirect advertising.

Pearl has been bringing the world's most glamorous Hollywood event *The Oscars*® since the channel's launch. The channel was also awarded as the official broadcaster of the prestigious equestrian sport event, the Masters of Hong Kong 2018.

1.0 TVRs

Pearl  
prime time  
(4% of Total TV)



DOLCE VITA

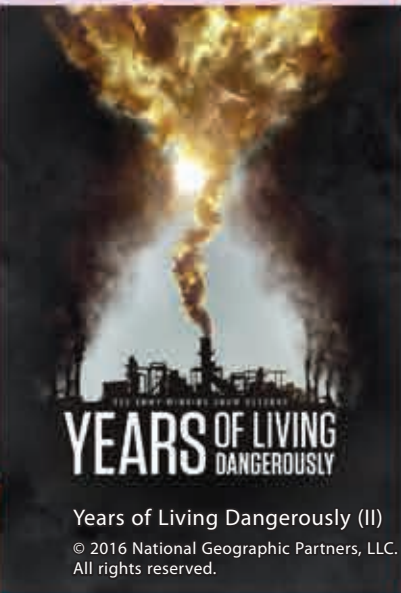
Dolce Vita

Masters of Hong Kong 2018

In Vino Veritas 4

Mega movies branded as the weekend blockbuster continue to be the most appealing genre on Pearl. Crowd-pleasing animated features and superheroes movies recorded impressive ratings, during the two-month Amazing Summer campaign. In particular, *The Incredible* achieved a consolidated TV rating of 7.2 TVRs and became the channel's top-rated programme in 2018.

*Pearl Spectacular* with its unique striking natural history production has become another iconic timeslot for the channel. A new vertical slot of Power Wednesday with robust line-up of the landmark science documentary *Year Million* and the successful procedural drama *Deception* was introduced with good market responses.





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TVB Finance & Information Channel leads the market as the only 24-hour finance related free TV channel. This channel carries the image of a high quality market analysis and information channel and is supported by commendable ratings.

TVB Finance & Information Channel recorded an encouraging TV rating growth on weekdays among its core target audience of a pool of investment savvy, compared with 2017. In particular, the channel surpassed other TV channel (excluding Jade) to become the top rated channel during weekday stock trading hour (0900-1600) supported by its intensive capital market updates and expert analyses.

0.6 TVRs

TVB Finance & Information  
prime time  
(2% of Total TV)

The channel offers a wide range of self-produced quality contents. Apart from instant stock market updates, TVB Finance & Information Channel offers numerous financial and investment programmes at evening prime time, targeting investors in finance and property markets. The live programme of *Finance at 10*, *Market Wrap Up* and property focused *A Property A Day* are the regular prime time productions.

Other station-produced programmes, such as *A Dream Home Planning*, *Vital Lifeline*, and *Innovation GPS* plus a newly introduced programme on the silver hair groups' lifestyle, wealth and health management *Revel in Retirement*, were well-received by audience.



TVB Finance & Information Channel Studio

A Property A Day



走進大灣區  
INTO THE GREATER BAY AREA

Into the Greater Bay Area



Keeping pace with the times, the channel featured documentaries on the hottest topics: *Into the Greater Bay Area* brought audience the latest update of developments and opportunities in the Guangdong-Hong Kong-Macau Bay Area.

A brand new programme *Sports A New Horizon* was aired since November 2018 to promote development in local sports and to feature live international sports events.

Besides station-produced programme, the channel localised an acquired masterpiece *General History of China* which aroused widespread interests.



Academia Without Borders

Innovation GPS



Finance at 10



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TVB News continues to offer the most recent, relevant and accurate news information to audience, cementing its position as the most watched 24-hours news channel both in and out-of-home. During the year, more than 3.6 million viewers watched the channel at homes on a weekly basis and reached 0.8 million viewers at outdoor establishments altogether. With the channel's established track record, TVB News has become a trusted source of news.

TVB News special coverage included the 2018 Legislative Council By-election, the Opening of Hong Kong – Zhuhai – Macao Bridge, 2018 Taiwanese Local Elections. On the visit of super typhoon Mangkhut, the channel recorded its highest daily reach of over 3.7 million viewers.

Besides high quality news coverage, TVB News is committed to enriching its content with station-produced special programmes and informative

segments. In the coverage of 40<sup>th</sup> year commemoration of China reform and opening-up, TVB News presented special themed programmes which included *40 Years of Reforms*, and *The Road to Reform*, to memorialise the progress and the achievements of the reform.

A new informative series on human aging was produced this year. Led by iconic news anchor Anthony Fong, two series of mini-programme *As Long As You Live* were aired. Continuing with his humorous reporting style, Fong and his team addressed how Hong Kong's neighbouring regions, including Japan, Korea, Taiwan, as well as U.S. and European countries including Germany, Switzerland and Holland are tackling the issue.

Other major improvements of TVB News included the revamp of TVB News App with enhancement of user interface and functionality, and the launch of live News Report in sign language.

1.5 TVRs

TVB News  
prime time  
(5% of Total TV)



Opening of Hong Kong-Zhuhai-Macao Bridge

As Long As You Live

Super Typhoon Mangkhut

GZ-SZ-HK Express Rail Link Inauguration

## TVB THEMATIC CHANNELS

myTV SUPER OTT service carries 10 thematic channels including TVB Classic, Korean Drama, Japanese Drama, Chinese Drama, Entertainment News, Variety and Travel, Food, TVB Radio, Chinese Opera, Classic Movies. This comprehensive bundle provides premium and quality dramas, varieties, sport events, both local and foreign showbiz news to viewers.





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## PRODUCTION RESOURCES

### ARTISTES MANAGEMENT

TVB strives to produce a wide selection of quality programmes for our audiences worldwide. Our greatest asset is our stars who play important roles in programme production. As of 31 December 2018, we had over 720 artistes, comprising a wide range of skilled talents which includes martial artistes and dubbing artistes.

In 2018, we continued to recruit artistes through talent scouting, organise training classes and recruit young faces through our annual beauty contests, such as *Miss Hong Kong Pageant* and *Miss Chinese International Pageant*, and *Mr. Hong Kong Contest*.



Our casting committee will consider the requirements of our numerous programmes (drama and non-drama) to identify the appropriate casts for programmes and to create opportunities to groom as many new talents as possible to satisfy our production needs.

