

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS

Our international businesses comprise programme licensing and distribution and overseas pay TV operations. To respond to the technological disruptions brought by the internet, we continued to transform our business models during the year. Increasing efforts are being devoted to marketing OTT services under TVB Anywhere brand for viewers as we began to diversify from the old B2B licensing model to B2C.

PROGRAMME LICENSING AND DISTRIBUTION

Programme licensing and distribution business, which comprises the distribution of TVB's programmes outside of Hong Kong through telecast and new media licensing, accounted for 19% of the Group's revenue. During the year, revenue from external customers under this business segment decreased by 9% from HK\$955 million to HK\$870 million. The decrease was mainly due to lower licensing income from Singapore

and Vietnam, which was partially aided by the higher new media licensing income from Mainland China.

Affordability and convenience of high-speed internet have changed how viewers discover, access and consume media these days. Younger generation, in particular, opt for digital platforms for entertainment which gives them access to an abundant supply of global content any time and anywhere. This change in viewers' behavior, consuming contents from whether authorised or pirated digital sources, has disrupted the conventional high-APRU pay TV model of our overseas pay TV partners, causing high-churn rates and ultimately hurting TVB as a content provider. Confronting the evolving competitive landscape, we are proactively embarking on the new media ventures and playing to our strengths such as our strong bond with fans, brand trust and our dominance in home-grown content. TVB drama serials are always among the blockbuster online videos in our key traditional



TVB Anywhere SG Launching Party

markets. Diversifying from the limited-reach traditional licensing to a wide-open OTT distribution will help broaden the viewer's base and revenue potential in the long-run. Inevitably, this shift from traditional licensing arrangement to distribution proposition with multiple new media platforms brought an immediate impact to licensing income from overseas but an opportunity to develop our B2C platform. In Singapore, we confirmed a programme supply agreement with StarHub Cable Vision Limited ("StarHub") for a period of two years expiring in August 2020. With a set of relaxed supply terms, we are now free to work with any other networks operators, pursuing an expansion from subscription and advertising sources.

In Malaysia, our licensing income in 2018 remained steady as the existing programme supply agreement with MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT") stays valid till January 2020. During the

year, pay TV operators in Malaysia continued to face economic downtrend and vigorous competitions from online platforms. Following the footsteps we took in Singapore, we are preparing ourselves to diversify from a B2B licensing model to a B2C distribution model via OTT. Our goal is to build a more resilient business model by broadening our distribution channel and capitalising on content specifically designed for the new media platforms and catering to the needs of the changing consumer behaviours.

In Vietnam, a three-year programme supply agreement with Saigontourist Cable Television Company Limited ("Saigontourist") was renewed at a lower rate in January 2018. TVB will continue to proactively collaborate with local partners on making choice content for our viewers in order to sustain our position in traditional markets.



TVB Power – Singapore Canvassing Event 2018



Gents Can Cook