

REVIEW OF OPERATIONS

INTERNATIONAL OPERATIONS



TVB Jade

Australia, China,
Europe, HK



TVB Pearl

China, HK, USA



Jade Channel

USA



TVB - V

Australia, USA



TVB8

Australia, China, HK,
Indonesia, Macau, Malaysia,
New Zealand, Singapore,
Taiwan, USA



NORTH AMERICA

CANADA USA

EUROPE

AUSTRIA	LUXEMBOURG
BELGIUM	NORWAY
CZECH REPUBLIC	POLAND
DENMARK	PORTUGAL
FINLAND	REPUBLIC OF IRELAND
FRANCE	SPAIN
GERMANY	SWEDEN
GREECE	SWITZERLAND
HUNGARY	THE NETHERLANDS
ITALY	TURKEY
KAZAKHSTAN	UK

AFRICA

SOUTH AFRICA

ASIA

BRUNEI	SINGAPORE
CAMBODIA	SOUTH KOREA
CHINA	TAIWAN
INDONESIA	THAILAND
LAOS	VIETNAM
MACAU	
MALAYSIA	
MYANMAR	

OCEANIA

AUSTRALIA NEW ZEALAND



Xing He

Australia, China,
Indonesia, Macau,
Malaysia, New Zealand,
Singapore, Thailand



TVBJ

Australia



TVBJ

Indonesia, Singapore



TVB Star Awards Malaysia 2015



Neighborhood Gourmet 3



All Things Girl In Malaysia

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PROGRAMME LICENSING AND DISTRIBUTION

TRADITIONAL AND NEW MARKETS

Programme licensing and distribution business, comprising the distribution of TVB's programmes outside of Hong Kong through telecast, video and new media licensing, accounted for 19% of the Group's revenue.

The two key traditional markets, Malaysia and Singapore, contributed a total revenue of HK\$456 million in 2015 (2014: HK\$455 million). Our licensing business continued through MEASAT Broadcast Network Systems Sdn Bhd ("MEASAT"), which operates the Astro platform in Malaysia, and StarHub Cable Vision Limited ("StarHub") in Singapore, under multiple years' contracts.

TVB programmes continue to attract viewers and to capture the attention of many overseas Chinese residing in these countries, against many well-received productions from Taiwan, Korea and Japan. Our businesses continued to be adversely affected by unauthorised Internet downloading and the growing influx of illegal OTT boxes carrying TVB's programmes. In Malaysia, the introduction of goods and services tax last year further dampened the overall business sentiment. For the long term development of our business, TVB has increased the programme production in Malaysia and Singapore in an effort to localise our programmes, further increasing their appeals to local viewers. During the year, programmes such as *Eating*

Well With Madam Wong In Singapore, *All Things Girl in Malaysia*, *StarHub TVB Awards 2015* and *TVB Star Awards Malaysia 2015*, were produced to further strengthen our market position for Chinese programmes there.

In Vietnam, we are partnering with Saigontourist Cable Television Company Limited ("SCTV"), the country's largest TV network to compile a channel for TVB dramas. Since March 2015, our drama serials have been delivered to SCTV for same day broadcast, resulting in encouraging growth in both TV ratings and advertising revenue.

In Cambodia, we have secured fixed broadcast time-belts on a number of major local terrestrial TV channels. This breakthrough has allowed us to tap into the fast growing advertising market. We shall also make good use of our programme library to develop our licensing business to these non-traditional markets, such as Indonesia and Thailand. As dramas with special visual effects are customarily well-received by audiences in these markets, we are re-packaging these programmes with the addition of some local elements.

Going forward, we are assisting MEASAT in its rolling out of new services and offerings in Malaysia during 2016 which would include new mobile apps targeting the younger generation, and an OTT service to extend our reach to a wider audience group. Further, we are planning to compile a TVB Channel bouquet on MEASAT's platform for our fans. Working together with StarHub in Singapore, we are assisting it in its launch of two mobile apps, namely E-news and TVB News.



StarHub TVB Awards 2015

REVIEW OF OPERATIONS

MAINLAND CHINA

After several years of growth, our China operations suffered a set-back during the year, with a revenue decline of approximately 29%, from HK\$383 million to HK\$271 million. Our business in Mainland China carried out under a joint venture company 上海翡翠東方傳播有限公司 ("TVBC") under-performed in a highly competitive market. We would attribute the above set-back to the stricter controls imposed by the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") in the PRC over imported programme titles which do not favour non-Mainland importers, and the prolonged delay in improving our licensing arrangement in the Guangdong Province, where two of our channels are being carried over the provincial network in return of a small licence fee. On the digital new media business, TVBC encountered short-term problems in working with a major online operator, which had prevented our ability to recognise the related licensing revenue. We hope that this situation can eventually be resolved. TVBC, however, did endeavour to produce programme content and to seek nation-wide distribution with some encouraging results. But, in this highly competitive market, the positive effort made in developing our production business was negated by the revenue shortfall from the digital new media segment.

OVERSEAS PAY TV OPERATIONS

Overseas pay TV operations accounted for 4% of the Group's revenue during 2015.

Operating in three territories, namely North America (USA), Australia and Europe, we continue our strategy to widen distribution of TVB programmes and to migrate from satellite platforms to an OTT service. We have achieved during 2015 some success in growing subscribers, as our many anti-piracy measures are starting to pay off.

Since the introduction of TVB Anywhere, our OTT service in Europe in 2014, we have launched the same service in Australia in early 2015. OTT has proven to be a more cost efficient technology, compared to transmission through traditional satellite TV channels. Our OTT service is an integrated service offering not only live channels but also value added functionalities, including seven-day programme catch up, electronic programme guide, video-on-demand as well as viewing through mobile devices.

NORTH AMERICA (USA)

TVB's programmes are being carried by DISH Network in the USA. We are actively riding on the new media trend by releasing TVB contents in multiple platforms, including Viki, Hulu, YouTube to tap into the growth in advertising revenue in digital new media. In 2015, advertising revenue from digital new media recorded high double digit percentage growth against 2014.

We joined the anti-piracy alliance led by DISH Network and successfully obtained an injunction against an illegal OTT syndication which was one of the most active pirates of TVB content. As a result, viewers of illegal contents have gradually been migrating back to our service.

AUSTRALIA

We launched TVB Anywhere in February 2015 to gradually replace the direct-to-home satellite pay TV service. With this new service in place, we introduced a new format of advertisements to advertisers on VOD service, which attracted the interest of many potential advertisers. As a result, growth in advertising income was achieved. In July 2015, the Senate of the Australian Government passed a site-blocking bill which requires all local Internet service providers to disconnect those websites which infringe copyrights.

EUROPE

The profitability of operation was significantly improved under the introduction of TVB Anywhere. Many ex-subscribers of our satellite pay TV service returned to this OTT service resulting in a net growth of subscribers. Further, several local telecom platforms have expressed interest to carry our TVB Anywhere package offering guaranteed income to us.

COMBATING PIRACY

Sustained anti-piracy efforts to protect our business interests began to deliver some success in 2015.

In June 2015, a preliminary injunction order was granted by a USA court against the manufacturer, distributor and several retailers of TV Pad, a notorious pirate TV box, in a joint civil suit by TVB/CCTV/DISH. Compensation and costs are being assessed by the court. The case was widely reported in the media, achieving a successful deterrent effect. As a result, our subscription sales in the USA have picked up. A new

civil suit against another major brand of pirate TV box is being prepared.

In November 2015, the Mainland Chinese authorities conducted an operation against IPTV platforms exhibiting unlicensed foreign films. 81 websites/apps, mostly with infringing TVB content, were shut down. Several notorious pirate TV boxes, including one major brand which was the target of our complaint to the National Copyright Administration in the PRC, stopped operation almost at the same time. Infringing streaming of our programmes in Mainland China has scaled down to a large extent. We are closely monitoring the situation, and shall continue to report piracy activities to the authorities.

Several Internet piracy cases were detected by Customs in Hong Kong and Macau, including one major case where three persons were arrested in Hong Kong and Macau, and over 5,000 titles infringing TVB dramas were found in one of the recording equipment.

We are exploring to start site-blocking actions in the UK and Australia against pirated TV boxes. We are looking for local content providers in those jurisdictions as partners in such actions to create a better publicity effect.

To effectively tackle the pirate TV box problem in our overseas markets, we are actively lobbying the UK and the Australian Governments to update their copyright legislations by including criminal sanctions against the supply of pirate TV boxes and infringing apps. The matter is now receiving their close attention. In Hong Kong, we joined the Hong Kong Copyright Alliance in actively lobbying the Legislative Council members to pass the Copyright (Amendment) Bill 2014, which contains new provisions to stop the streaming piracy problem, amidst the tough opposition from the netizens. Unfortunately, the bill has been stalled for an indefinite period of time. We shall continue to lobby the Government to legislate new criminal provisions to stop the supply of pirate TV boxes and infringing apps.

CHANNEL OPERATIONS

Channels operations include the operation of two satellite channels TVB8 and Xing He channels which are distributed through satellites to Mainland China, and as part of TVB's offerings to MEASAT, StarHub and Telekom Malaysia. We are adopting a more aggressive strategy and invested more resources in producing local programmes in Malaysia and Singapore to increase viewership and to attract advertisers' spending.

To attract audiences from different overseas markets, we held a number of events such as the *International Chinese New Talent Singing Championship 2015*. In view of the popularity of new media technology especially in Mainland China, online promotional activities were held to promote our events. Young talents from universities were recruited via the *Frame of Youth* campaign to report news about the *International Chinese New Talent Singing Championship 2015* on new media platforms. This helped arouse the interest of the younger generation about TVB8.

TAIWAN OPERATIONS

TVBS – TAIWAN

Total advertising revenue in Taiwan was adversely affected by the slowing economy. Despite the unfavourable economic condition and intense competition from the new media, TVBS' market share of TV advertising revenue increased from 9.8% in 2014 to 10.0% in 2015. However, TVBS' total revenue in 2015 only slightly increased, when compared to 2014.

Pursuant to the two disposal agreements dated 29 January 2015 and 4 January 2016, the Group ceased to hold any interest in Liann Yee Production Co., Ltd. and its subsidiaries ("Liann Yee Group"). The two transactions were completed in May 2015 and March 2016 respectively.