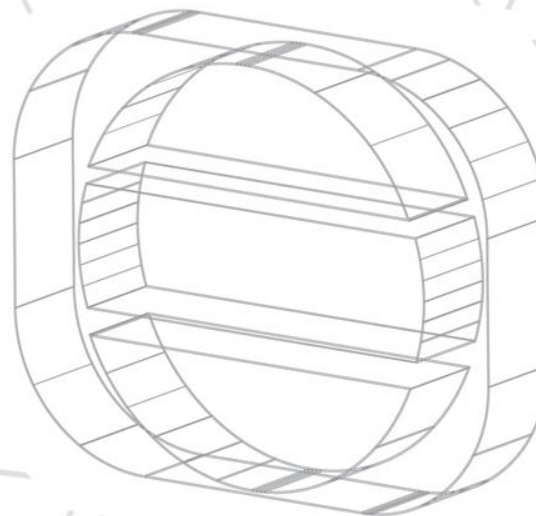


Television Broadcasts Limited  
(Stock code: 0511)

**“Going OTT”**

Interim Results 2016



# 1H16 Business Overview

- ❑ **TVB leads** in free-to-air TV business in HK with audience share of 83%\* (1H15: 82%\*), despite of new entrant.
- ❑ **Challenges:**
  - A weak advertising market in Hong Kong;
  - Widespread content piracy;
  - Fierce competition from online entertainment alternatives.
- ❑ **Responses:**
  - Launched myTV SUPER service in Hong Kong in April 2016;
  - Reviewed channel/programming strategy in Hong Kong, with a view to broaden viewership.
- ❑ **Focus on digital new media and growth**
  - ✓ **myTV SUPER rollout** has been progressing very well. On target to achieve 1.4m users by Nov 2017. Since launch, users number has exceeded 610,000 (240,000 set-top-boxes; 370,000 active mobile app users).
  - ✓ **Contract renewals:** Astro (Malaysia); Youku Tudou (China)
- ❑ **Movie investments:** Flagship Entertainment and Shaw Brothers Holdings (953.HK) have become future platforms for movie business (investment and production).
- ❑ **Divestment in Taiwan:** Disposal of investment properties in Neihu, Taipei would generate proceeds of HK\$961m and gain of HK\$277m (to be booked in 2H16).

\* Weekday prime time 7pm to 12 midnight for all terrestrial channels



# Consolidated Income Statement

HK\$ million	1H16	1H15	Chg	Remark	Note: NM – not meaningful
Revenue	1,964	2,031	-3%	Main cause: HK advertising income dropped 11%	
Total costs (COS + SG&A)	(1,678)	(1,570)	7%	Higher programming cost and higher G&A expenses due to new business	
Other revenues & other gains/(losses), net	<u>40</u>	<u>3</u>	NM	Exchange loss incurred in 1H15	
<b>Operating profit</b>	<b>326</b>	<b>464</b>	<b>-30%</b>		
Finance costs	(1)	(4)	-73%		
Share of results of JV & associates	(7)	(26)	-72%		
Impairment loss re: Network Vision	<u>(15)</u>	<u>(654)</u>	NM	Large provision made in 1H15	
Profit/(loss) before income tax	303	(220)	NM		
Income tax	<u>(54)</u>	<u>(65)</u>	-16%		
Profit/(loss) from continuing operations	249	(285)	NM		
Discontinued operations (Taiwan)	<u>71</u>	<u>1,426</u>	-95%	Sale of Taiwan Operations in two tranches	
Profit for the period	<u>320</u>	<u>1,141</u>	-72%		
<b>Profit attributable to equity holders ("Net profit")</b>	<b><u>302</u></b>	<b><u>1,148</u></b>	<b>-74%</b>		
Earnings per share (HK\$)	0.69	2.62	-74%		

❑ **Revenue** declined to HK\$1,964m (-HK\$67m, -3%)

- Lower ad revenue under HK TV Broadcasting (-HK\$151m, -11%)
- Better revenue under Programme Licensing and Distribution (+HK\$50m, +10%)

❑ **Net profit** declined to HK\$302m (-HK\$846m, -74%)

- last period's profit was boosted by a disposal gain from sale of 53% of Liann Yee/Taiwan Operations of HK\$1,396m, but offset by an impairment loss of HK\$654m related to Network Vision/HK pay TV business



# Full Year 2016 Outlook

## ❑ Hong Kong TV Broadcasting

- This business is expected to under-perform, as compared to 2015, while market consolidation continues.
- Rio 2016 Olympics broadcast in August is expected to give rise to an estimated under-recovery of cost in the region of HK\$150m (as previously anticipated).

## ❑ Going OTT

- **myTV SUPER** OTT service launch progressed very well – total users have exceeded 610,000 (OTT boxes and myTV SUPER apps combined) since launch in April.
- Extension of OTT service to overseas markets under **TVB Anywhere** (version 2.0) in 2H16, targeting Chinese-speaking communities.



# OTT going global in 2016

## Hong Kong



Since launch, over 610,000 users in Hong Kong (OTT boxes and apps) have acquired this new service.

### **ANY content**

(out of the large number of channels and a substantial VOD library on offer)

### **ANYtime**

### **ANYwhere**

### **ANY devices**

(TV sets via OTT boxes and apps on handsets)

## Global



Global promotion in 2H16 (initially excluding Malaysia, Singapore, Mainland China and the USA)





## Addresses changes in viewing habits

- ☐ TVB aims to provide a radical change in TV viewing experience, leveraging on high speed broadband connectivity.
- ☐ Service offered at a low cost to users.
- ☐ **myTV SUPER** promises:
  - ✓ **unrivalled picture quality**
  - ✓ **seamless catch-up** (playback of content broadcast within 3 hours)
  - ✓ **rich content offering** (over 40 TV channels. VOD service provides vast volume of over 19,000 hours and extensive choices of programmes ranging from premieres to classic titles, featuring **TVB self-produced shows, Asian dramas and variety shows, American dramas, the latest cartoons and animations, and live sport events.**)
  - ✓ Collaborating with **Disney, Sony, RTL CBS, AXN, Animax, beIN Sports and Mei Ah movie**
- ☐ Service can be bundled with broadband packages from two major ISPs - HKBN and Hutchison Telecommunications, in Hong Kong.
- ☐ Set-top boxes are distributed at retail appliance stores (i.e.: Fortress, Broadway)
- ☐ Business model: subscription (basic, premium SVOD & TVOD) + advertising rev
- ☐ Confident that myTV SUPER will eventually yield positive contributions.



# Global Content Distribution Strategies

	First Platform		Second Platform		Third Platform	
Mode of distribution	Linear Broadcasting		OTT		Web and Mobile	
Markets	Hong Kong	Global	Hong Kong	Global*	Hong Kong	Global
Business/Product	Terrestrial	Conventional Licensing	myTV SUPER	TVB Anywhere	TVB.com and TVB apps	Content Licensing Online and apps
Content offerings	Channels (Jade, J2, iNews, Pearl and J5)	TVB produced channels and programmes	<ul style="list-style-type: none"> <li>Linear and non-linear channels (TVB and acquired)</li> <li>VOD programmes</li> <li>Multiple languages</li> </ul>		<ul style="list-style-type: none"> <li>Linear channels</li> <li>VOD programmes</li> </ul>	
Revenue Model	Ad supported	Licensing Revenue	Subscription and Ad supported		Ad supported	Licensing and Advertising Revenue

\* Except for Malaysia, Singapore, Mainland China and USA where local variants are being developed with partners









# Financial Position

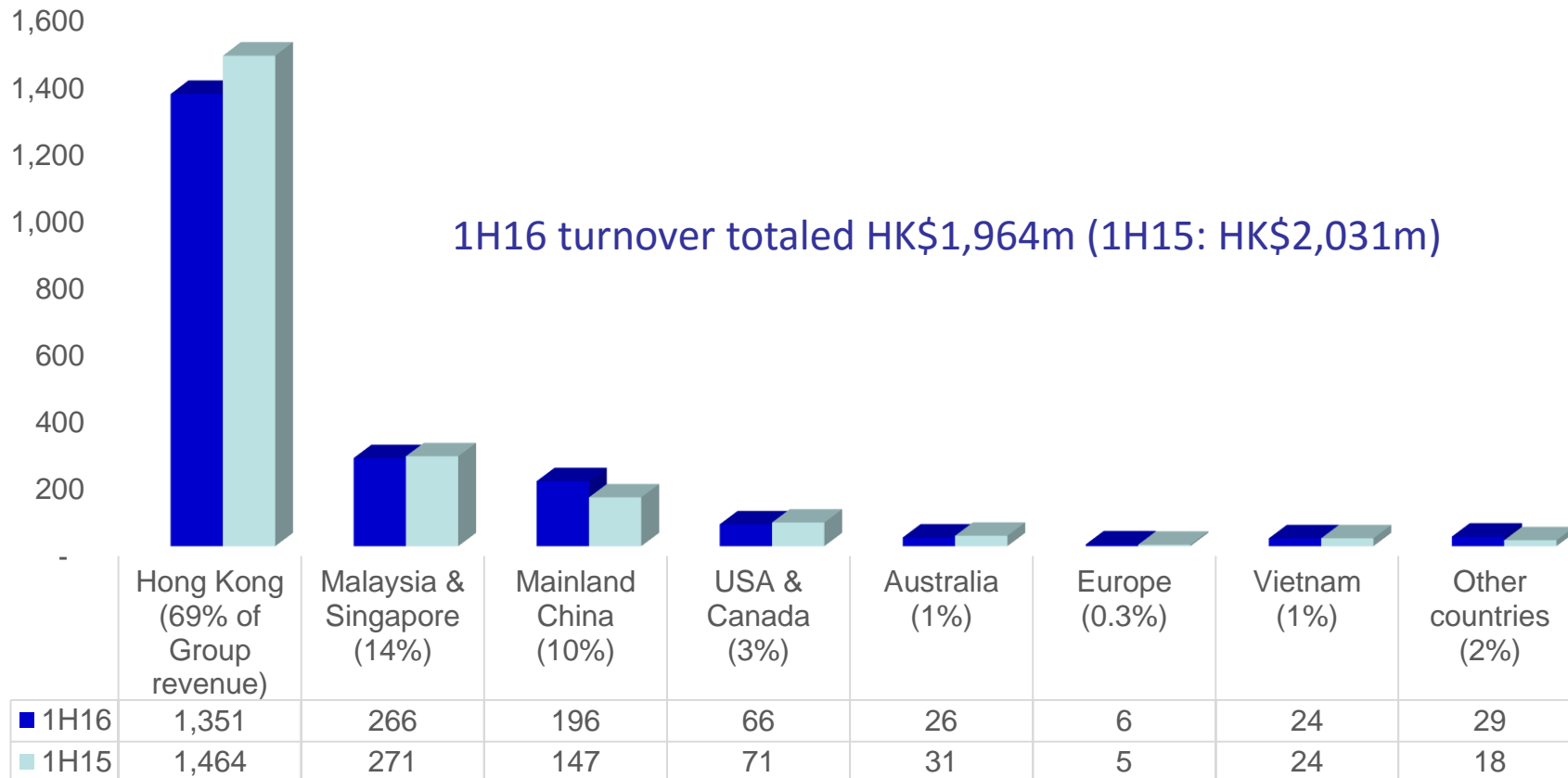
HK\$ million	30.6.16	31.12.15
Non-current assets	2,589	2,771
Current assets (other than bank deposits, cash and cash equivalents)	3,178	3,525
Bank deposits, cash and cash equivalents	<u>2,578</u>	<u>2,817</u>
<b>Total assets</b>	<u>8,345</u>	<u>9,113</u>
Total equity	7,312	7,836
Total liabilities	<u>1,033</u>	<u>1,277</u>
<b>Total equity and liabilities</b>	<u>8,345</u>	<u>9,113</u>

❑ 1H16 CAPEX amounted to HK\$137m.



# Revenue Analysis by Geographical Location

In HK\$ million

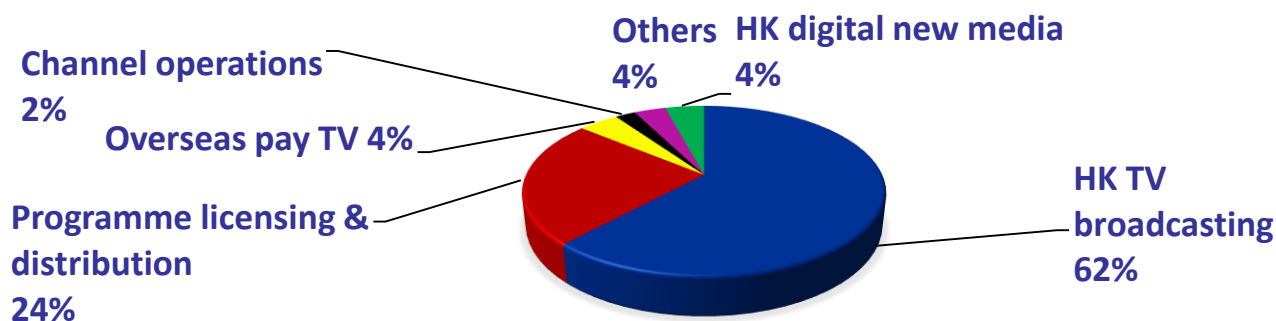


- ❑ HK revenue decreased 8% due to tighter ad spend budgets amid sluggish economy.
- ❑ Malaysia and Singapore revenues remained stable. Successfully renewed a four-year contract with MEASAT in Malaysia for its Astro platform.
- ❑ China revenue increased 33%. Signed distribution agreements with Youku Tudou, Tencent, BestTV, Whaley & MangoTV.



# Segment Revenue Analysis

HK\$ million	1H16	1H15	Change	Explanation
HK TV broadcasting	<b>1,235</b>	1,386	<b>-11%</b>	Further declines in HK retail sales (gov't est. -10.5%) & ad spend (TVB est. -20%)
HK digital new media business	<b>84</b>	72	<b>16%</b>	Contributed by subscription income from myTV SUPER since its launch in April 2016
Programme licensing and distribution	<b>532</b>	483	<b>10%</b>	Reached a settlement with an online operator
Overseas pay TV operations	<b>84</b>	93	<b>-10%</b>	Lost some subscribers due to piracy
Channel operations	<b>46</b>	55	<b>-18%</b>	Lower ad revenue from Malaysia
Other activities (note)	<b>75</b>	42	<b>78%</b>	
Elimination	<b>(92)</b>	<b>(100)</b>		
Total	<b><u>1,964</u></b>	<b><u>2,031</u></b>	<b>-3%</b>	

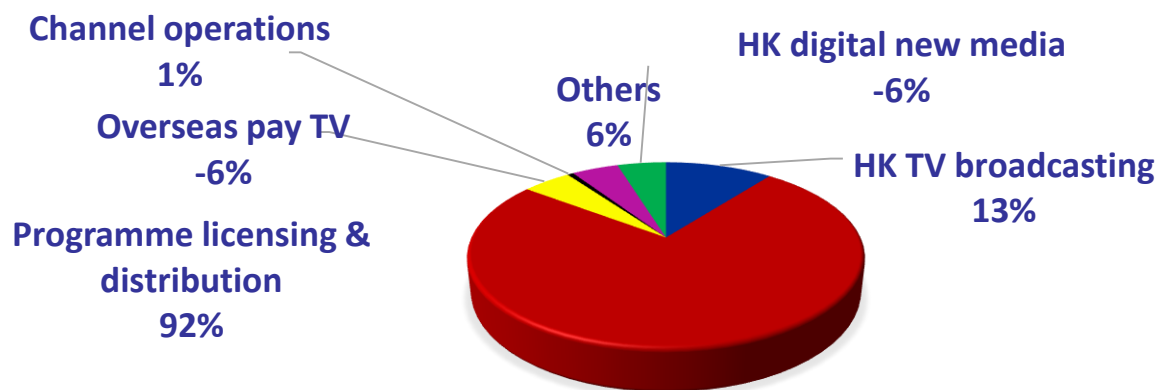


Note: other activities include magazine publications, music entertainment, property investment and other related services

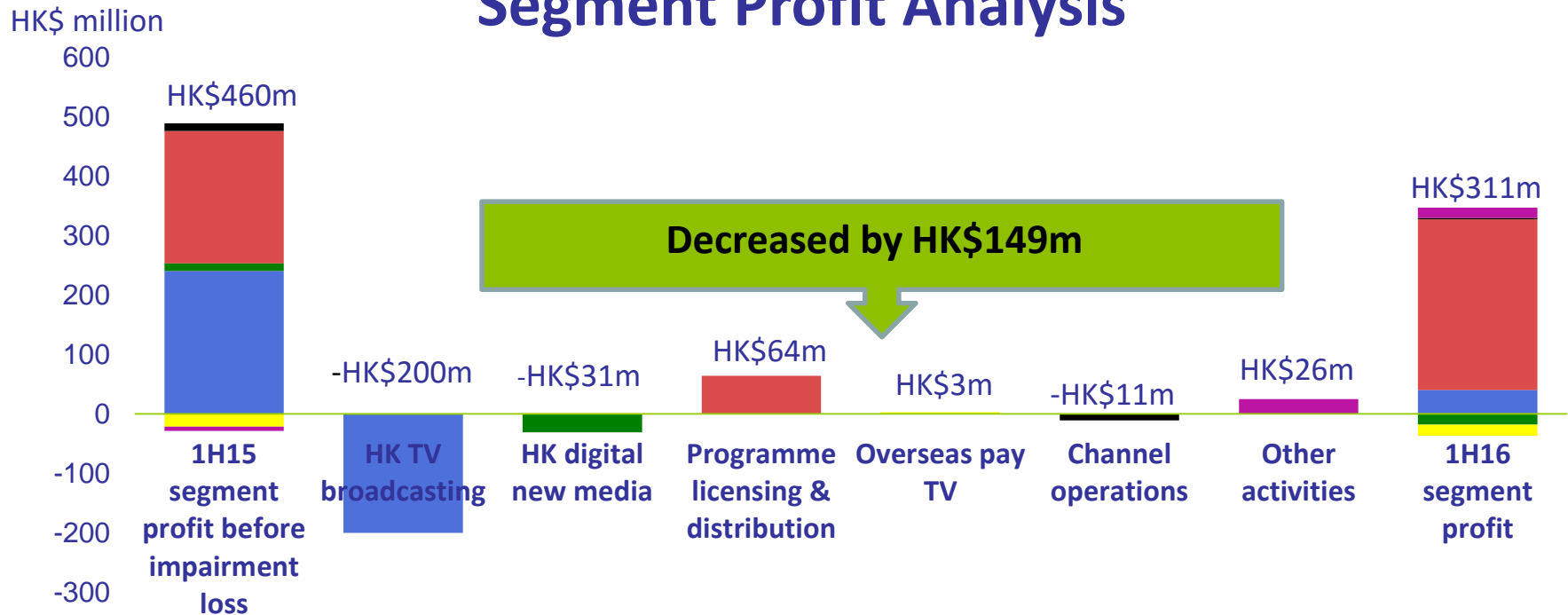


# Segment Profit and Margin Analysis

HK\$ million	1H16 Seg. Profit	1H15 Seg. Profit	yoy change	1H16 Margin	1H15 Margin
HK TV broadcasting	40	240	-83%	3%	17%
HK digital new media business	(18)	13	NM	-22%	18%
Programme licensing and distribution	287	223	29%	54%	46%
Overseas pay TV operations	(18)	(22)	-14%	-22%	-23%
Channel operations	2	13	-82%	5%	23%
Other activities	18	(7)	NM	23%	-17%
Subtotal	311	460	-33%	16%	23%
Less: Impairment loss	---	(654)			
Total	311	(194)	NM		



# Segment Profit Analysis



- ❑ HK TV broadcasting: Lower revenues due to weaker advertising market. HK retail sales were down 10.5% yoy, decline continued for 16 months, longest stretch since SARs crisis. Enhanced competitiveness by rearranging channel offerings (J5) and telecasting dramas on weekend evenings.
- ❑ HK digital new media: myTV SUPER began to operate during the Period, contributing some start-up losses.
- ❑ Licensing & distribution: China revenue up, renewed a 3-year contract with Youku Tudou.
- ❑ Overseas pay TV: Gradual migration from satellite to OTT by markets.







Disclaimer

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