

# **Television Broadcasts Limited (TVB)**

## **Stock Code: 511**

**2015 Interim Results Announcement  
For the Six Months Ended 30 June 2015**

**19 August 2015**



# Key Highlights of 1H15 Performance

- ❑ Group's revenue declined by HK\$258m or 11%\* yoy, mainly due to a fall in advertising revenue. The weak market sentiments in Hong Kong in 1H15 and World Cup advertising revenue in 1H14 caused the decline.
- ❑ Total costs increased by HK\$20m or 1%\* yoy.
- ❑ Non-recurring items booked in 1H15 include:
  - a) A disposal gain of HK\$1,396m (which included fair value gain on the retained interest) in connection with the sale of 53% interest in Liann Yee Group in Taiwan; a tax of HK\$53m on dividend distributed prior to completion of disposal
  - b) An impairment loss of HK\$654m in relation to amount due from an associate, TVB Network Vision
- ❑ **Profit attributable to equity holders of the Company for 1H15 was HK\$1,148m (1H14: HK\$700m), up 64% yoy**
- ❑ 1H15 EPS (continuing and discontinued operations): HK\$2.62



# Consolidated Income Statement

HK\$ million	1H15	1H14*	yoy change
Revenue	2,031	2,289	-11%
Cost of sales	(905)	(942)	-4%
<b>Gross profit</b>	<b>1,126</b>	<b>1,347</b>	<b>-16%</b>
Other revenues	39	39	-1%
Selling, distribution and transmission costs	(270)	(268)	1%
General and administrative expenses	(396)	(340)	16%
Other losses, net	(35)	(8)	376%
Finance costs	(4)	(2)	104%
Share of profits/(losses) of joint ventures	7	(5)	NM
Share of losses of associates **	(33)	(42)	-23%
Impairment loss on amount due from an associate	(654)	---	NM
(Loss)/profit before income tax	(220)	721	NM
Income tax expense	(65)	(114)	-43%
(Loss)/profit for the period from continuing operations	(285)	607	NM
Profit from discontinued operations	1,426	94	NM
Profit for the period	1,141	701	63%
<b>Profit attributable to equity holders of the Company</b>	<b>1,148</b>	<b>700</b>	<b>64%</b>

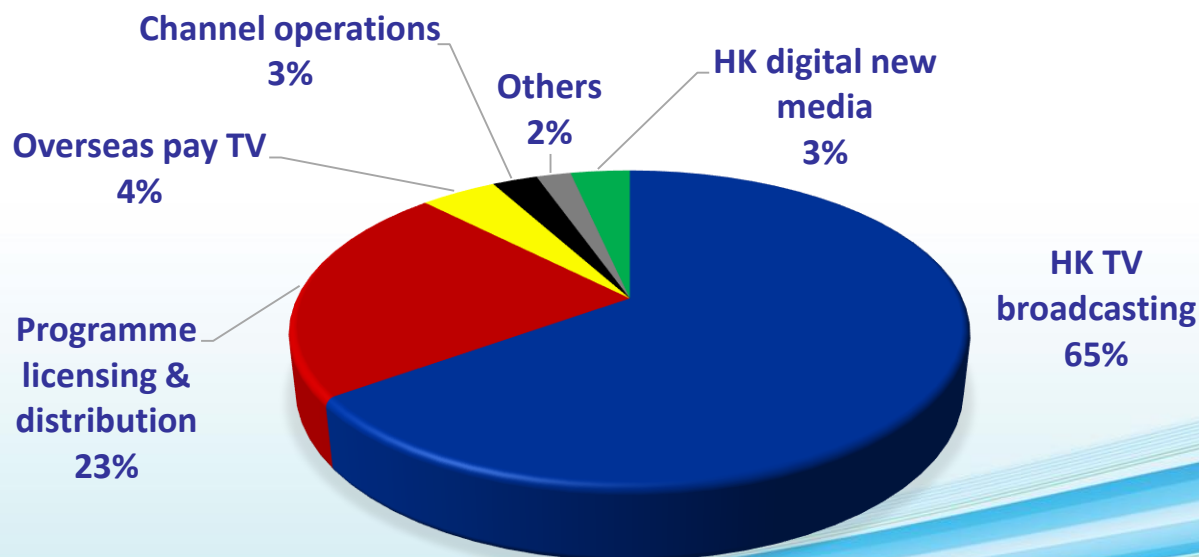
Note: \* Certain comparative figures have been restated due to a reclassification of Taiwan operation to discontinued operations

\*\* TVB Network Vision was accounted for as an associate. NM – not meaningful



# Turnover by Operating Segment

HK\$ million	1H15	1H14*	yoy change
HK TV broadcasting	<b>1,386</b>	1,581	-12%
HK digital new media business (note 1)	<b>72</b>	88	-17%
Programme licensing and distribution (note 2)	<b>483</b>	516	-6%
Overseas pay TV operations (note 3)	<b>93</b>	122	-23%
Channel operations (note 4)	<b>55</b>	62	-12%
Other activities	<b>42</b>	29	45%
Inter-segment elimination	<u><b>(100)</b></u>	<u>(109)</u>	-7%
Total	<b>2,031</b>	2,289	-11%



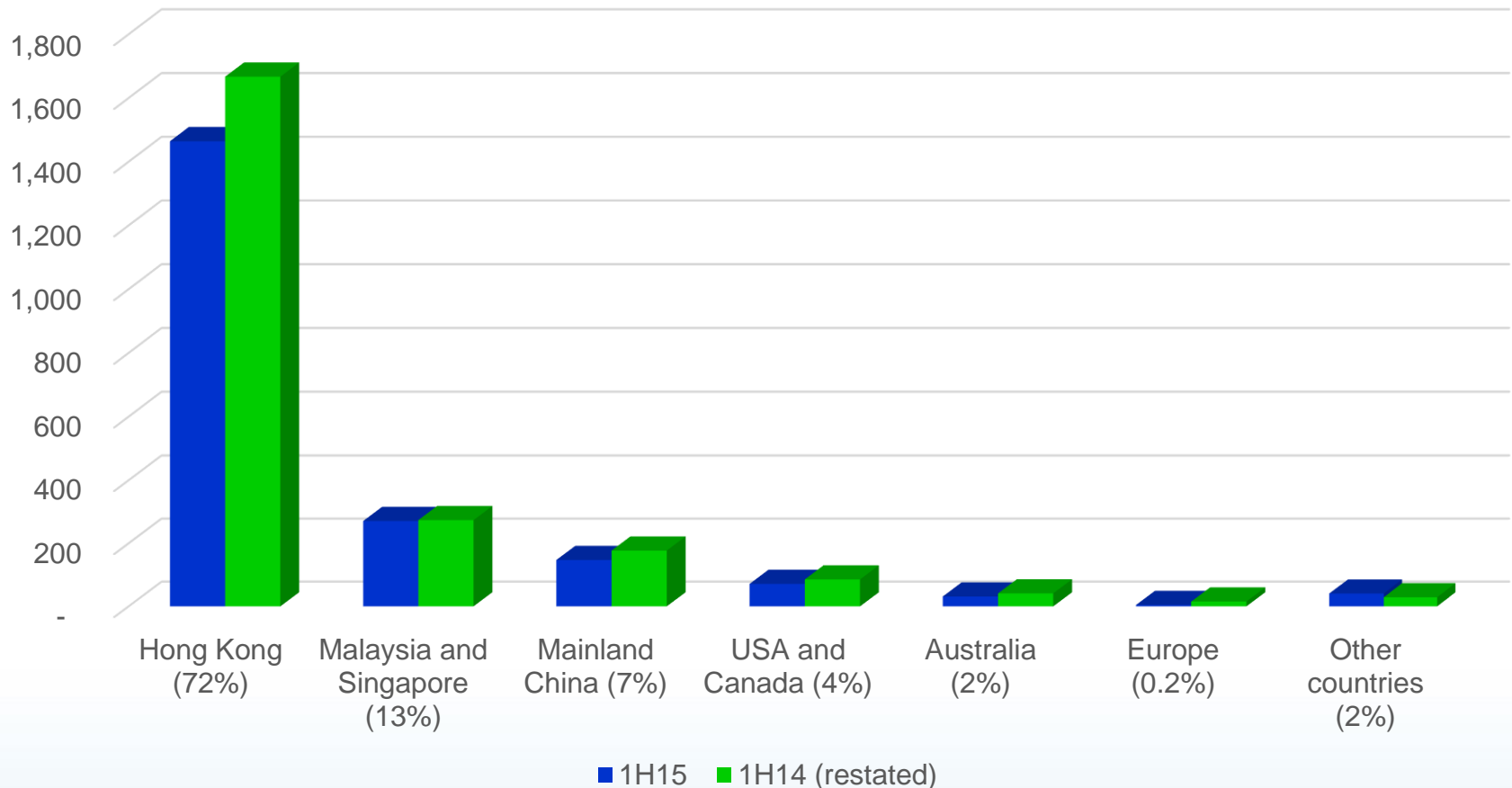
Note: 1 Includes portal business under [www.tvb.com](http://www.tvb.com) and mobile apps. 2. Includes businesses in Malaysia, Singapore and Mainland China (TVBC).

3. Includes platforms in USA, Australia and Europe. 4. Includes satellite channel operations under TVB8 and Xing He.



# Turnover by Geographical Location

In HK\$ million

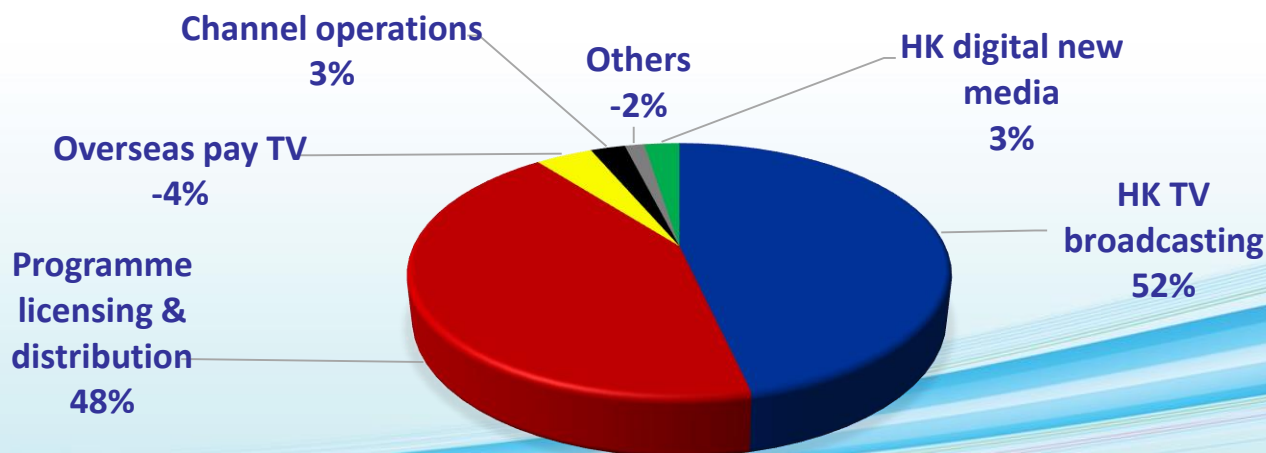


- ❑ Advertising revenues in Hong Kong declined as a result of weak retail sales.
- ❑ New markets like Vietnam and Cambodia recorded encouraging growth.
- ❑ Mainland China revenue fell owing to programming cutbacks by Mainland satellite TV stations and stricter censorship imposed on foreign titles.
- ❑ Illegal set-top boxes carrying pirated contents are primarily responsible for subscriber declines in USA, Australia and European markets.



# Reportable Segment Profit and Margin

HK\$ million	1H15 Segment Profit	1H14 Seg. Profit	yoy change	1H15 Margin	1H14 Margin
HK TV broadcasting	240	444	-46%	17%	28%
HK digital new media business	13	24	-46%	18%	28%
Programme licensing and distribution	223	311	-28%	46%	60%
Overseas pay TV operations	(22)	(24)	-11%	-23%	-20%
Channel operations	13	18	-30%	23%	29%
Other activities (note)	(7)	(4)	68%	-17%	-15%
Subtotal	460	769	-40%	23%	34%
Less: Impairment loss	(654)	-	NM		
Total (1H14 restated to exclude Taiwan biz)	(194)	769	NM		

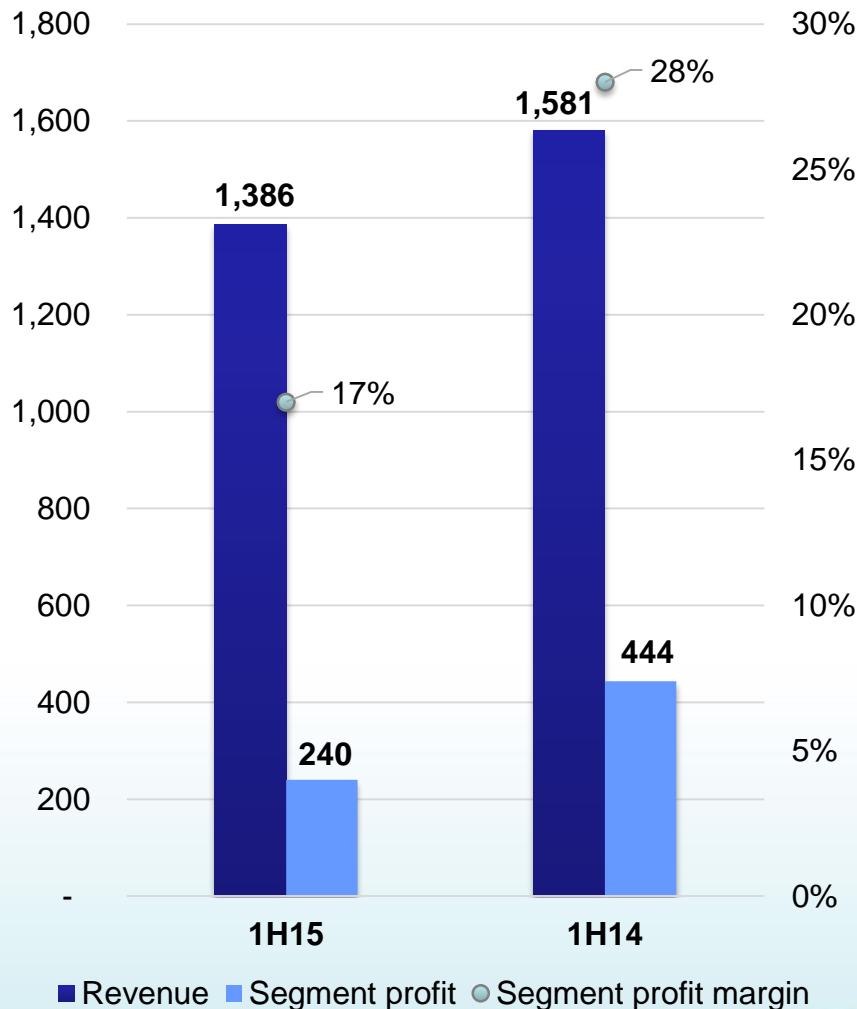


Note: other activities include magazine publications, receipt of rental income and other related services



# Hong Kong TV Broadcasting

HK\$ million



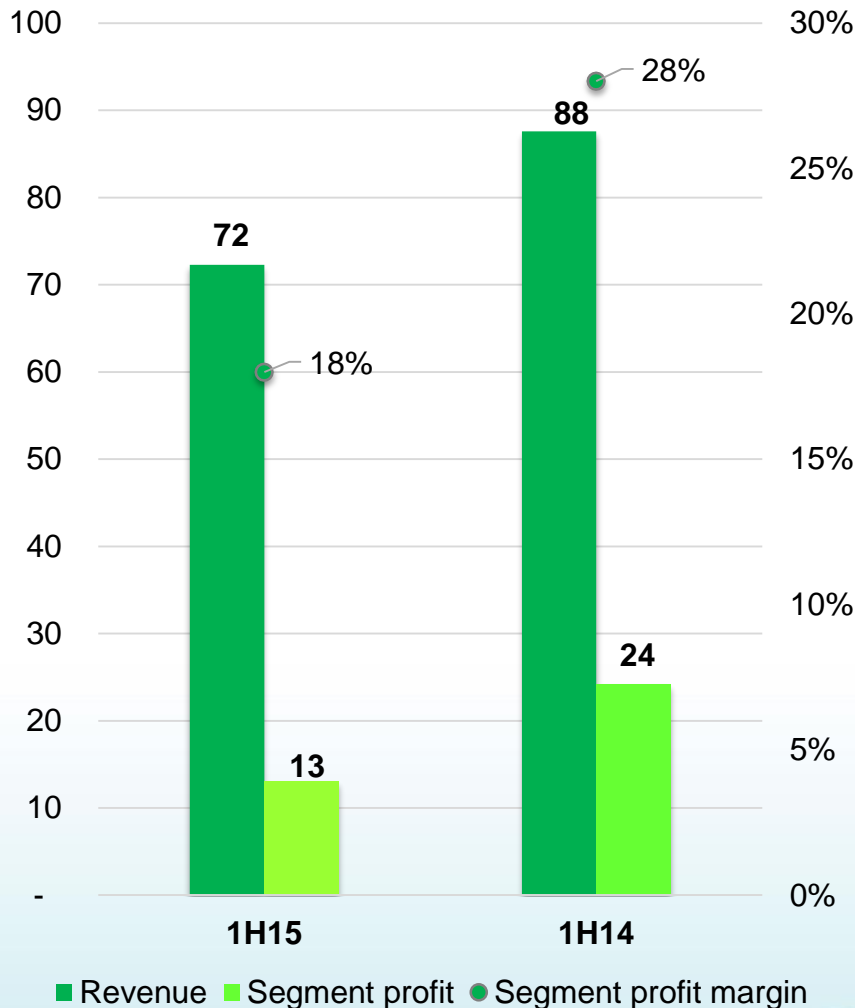
- Official data revealed retail sales were down 1.6% yoy. High value products including jewellery, watches and valuable gifts sector reported a decline of approximately 16% yoy.
- Milk powder, skincare and supermarkets recorded significant declines in spending.
- Travel agents category and personal hygiene products increased ad spending
- Overall audience share of TVB's terrestrial TV channels against the total TV channels was 82% (1H14: 80%).

Note: Broadcasting of five digital channels, namely Jade, HD Jade, J2, Pearl and iNews through terrestrial TV network in Hong Kong and programme production



# Hong Kong Digital New Media

HK\$ million



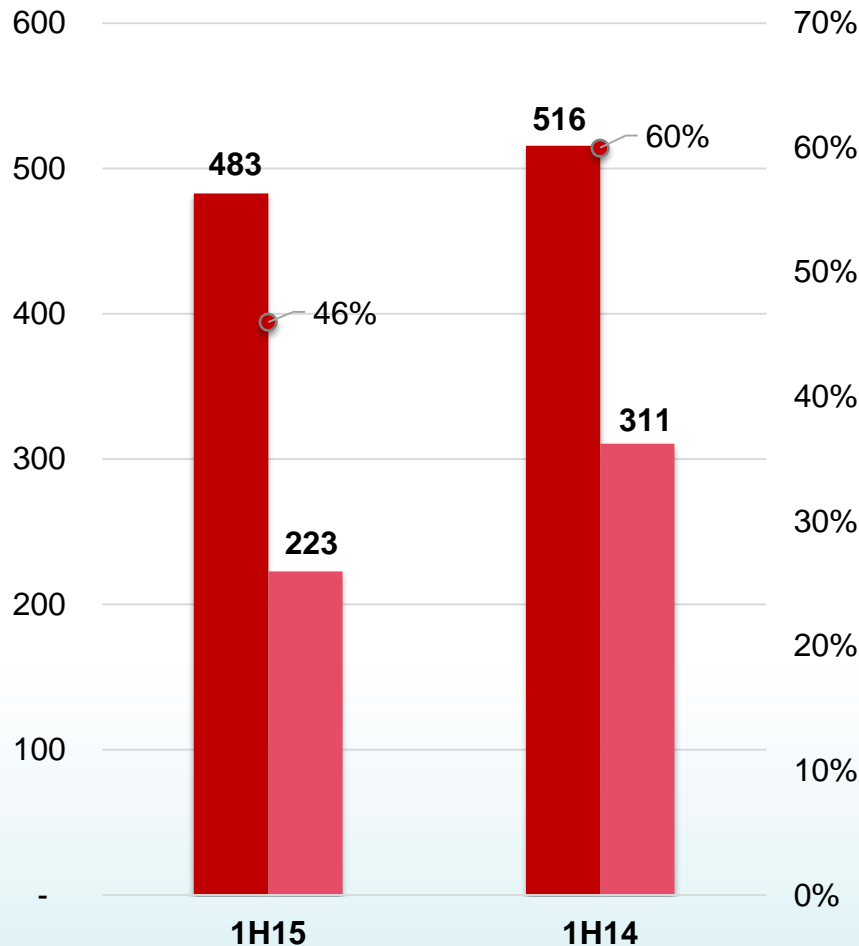
- Segment profit dropped by HK\$11m due to sluggish economy in 1H15 and revenues generated by my worldcup mobile app in 1H14.
- Revenue from GOTV, a new VOD streaming service available on portal and mobile, rose as subscriber base enlarged to more than 90,000 paid users.
- myTV (free) and GOTV (paid) were combined into one platform to boost VOD consumption.

Note: Hong Kong digital new media business includes portal business under [www.tvb.com](http://www.tvb.com) and mobile apps.



# Programme Licensing and Distribution

HK\$ million



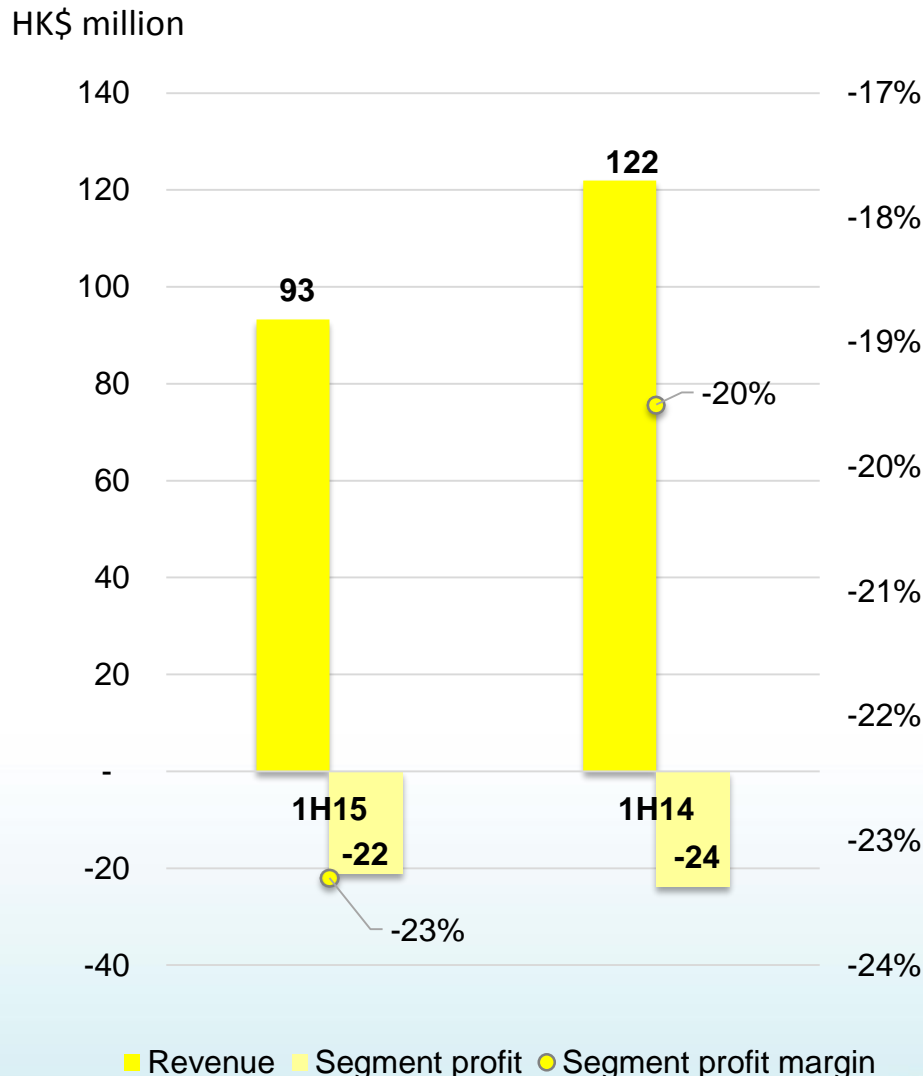
■ Revenue ■ Segment profit ● Segment profit margin

- Malaysia economy was affected by the new goods and services tax laws and depreciation of ringgit against US dollar.
- New markets like Vietnam and Cambodia recorded encouraging growth.
- China revenue fell due to programming cutbacks by Mainland satellite TV stations and stricter censorship imposed on foreign titles.

Note: Licensing of TVB programmes for distribution in Mainland China and overseas market (principally Malaysia and Singapore)



# Overseas Pay TV Operations



- Combined revenues from our overseas pay TV platforms in Europe, Australia and USA declined by 23% to HK\$93m. Illegal set-top boxes carrying vast quantities of infringed contents caused the decrease in subscribers.
- Loss narrowed by 11% to -HK\$22m, owing to efforts in cost savings amid falling subscriber base. We are switching from satellite transmission to an OTT-based delivery in order to lower costs.
- To safeguard our pay TV business against rampant OTT piracy, we have actively taken legal, operational and marketing actions and have made good progress but journey ahead still long.

Note: Includes platforms in USA, Australia and Europe.



# Highlights of Consolidated Statement of Financial Position

HK\$ million	30.06.15	31.12.14
Non-current assets	3,839	3,900
Current assets (other than bank deposits, cash and cash equivalents)	2,563	3,325
Bank deposits, cash and cash equivalents	<u>2,856</u>	<u>3,332</u>
<b>Total assets</b>	<b><u>9,258</u></b>	<b><u>10,557</u></b>
Total equity	8,025	8,704
Total liabilities	<u>1,233</u>	<u>1,853</u>
<b>Equity and Liabilities</b>	<b><u>9,258</u></b>	<b><u>10,557</u></b>
Current ratio	8.2	5.0
Gearing ratio	5.0%	4.5%



# Key Developments and Outlook

- ❑ Looking ahead, the local TV market will become more competitive after the regulator granted a new 12-year, domestic free television programme service licence to HK Television Entertainment Company Limited. Fantastic Television Limited has also received an approval-in-principle to operate in Hong Kong.
- ❑ TVB has obtained a renewal of our domestic free television programme service license in May 2015, enabling us to serve the HK market for another 12 years from Dec 2015 to Nov 2027. Committed to invest not less than HK\$6,336 million on programming and capital expenditure over the first six years of operation.
- ❑ Scheduled to launch a new over-the-top (“OTT”) service in early 2016, where a multitude of TVB self-produced channels and acquired programmes will be made available on this new platform. OTT will be our “second” entertainment platform, in addition to TVB’s terrestrial TV channels, our first platform, with on-line service as our third platform. We aim to provide a distinctive one-stop solution for our audience seeking entertainment programmes from both TVB and other foreign content providers.
- ❑ 8 movies are in various stage of preparation under various brands, including Shaw Brothers Pictures. Target to release production in 2016 and beyond.
- ❑ As a long term strategy to protect our copyrights in different markets, we have lobbied different governments to amend their copyright legislation in the fight against internet piracy. These efforts to combat piracy will continue.



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## Disclaimer

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