



Television Broadcasts Limited (Stock code: 0511)

2020 Interim Results
26 August 2020



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1H20 Consolidated Income Statement



HK\$ million	1H20	1H19	Yoy change
Revenue	1,226	1,965	-38%
Cost of sales	(965)	(911)	6%
Gross profit	261	1,054	-75%
Other revenues & other (losses)/gains, net	16	26	-40%
Interest income	62	97	-36%
SG&A expenses	(682)	(812)	-16%
Net (impairment loss)/reversal of impairment loss on financial assets at amortised cost	(21)	23	NM
Gain on disposal of bond securities at amortised cost	14	-	NM
Gain on disposal of properties	27	-	NM
Finance costs	(40)	(57)	-29%
Share of profits/(losses) of JV & associates	1	(51)	NM
(Loss)/profit before income tax	(362)	280	NM
Income tax credit/(expense)	74	(47)	NM
(Loss)/profit for the Period	(288)	233	NM
(Loss)/profit attributable to equity holders	(293)	213	NM
(Loss)/earnings per share (HK\$)	(0.67)	0.49	NM

Hong Kong TV Broadcasting (46% of revenue)

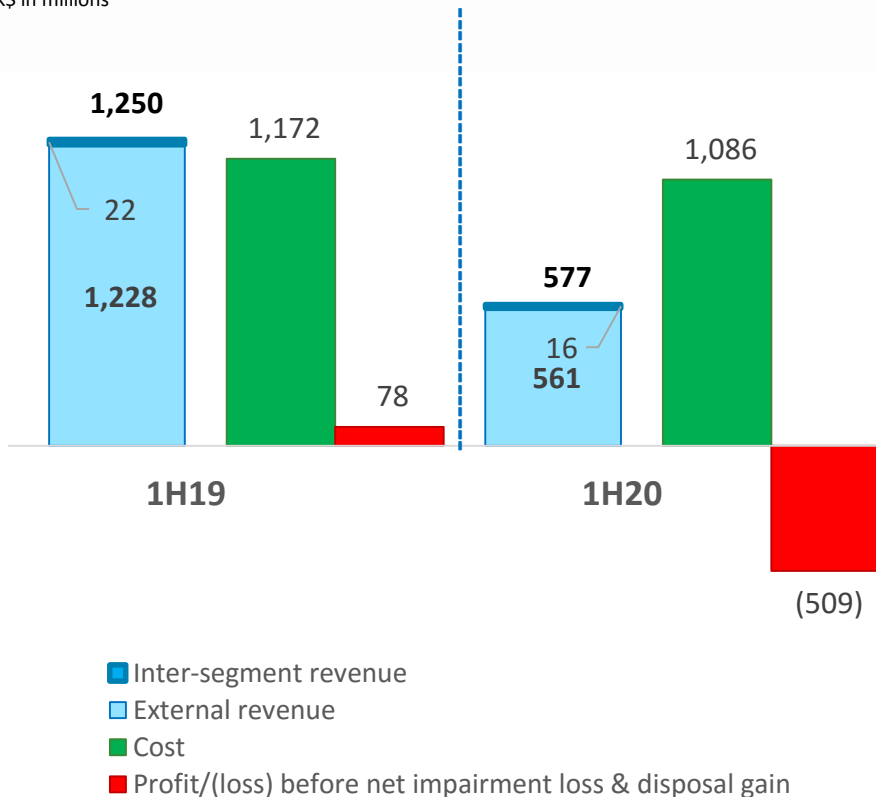


Significant improvements in TV ratings, but sluggish demand for advertising amid COVID-19 outbreak hurt earnings

Business model: Free-to-air broadcasting of five terrestrial TV channels (Jade, J2, TVB News, Pearl, TVB Finance & Information), each with clear audience targets in return for advertising and co-production revenue.

Hong Kong TV Broadcasting

HK\$ in millions



- External revenue dropped by 54% to HK\$561m, mainly due to:
 - Income from advertisers declined by 69% to HK\$351m due a sharp deterioration in market sentiment
 - Co-production of dramas with mainland China online platforms (i.e.: Tencent, iQiyi, Youku) resumed and generated an income of HK\$146m (2019: Nil)
- Future developments:
 - ✓ **Advertising business remains challenging in 2H20, but we are cautiously optimistic that our businesses for 2H20 will progressively recover**
 - ✓ **Build a robust co-production pipeline by working closely with various Chinese online platforms**

Strategic cooperation with leading online operators on production of platform-exclusive drama serials deliver notable success, expect more in 2021 and beyond



Booked co-production income of HK\$146m in 1H20 based on percentage of completion. Secured pipeline for delivery in 2020 & 2021:
Line Walker: Bull Fight (Tencent), Legal Mavericks 2020 (iQiyi), Armed Reaction 2021 (Tencent), Murder Diary (Youku)

COMING
SOON!



In 2017



Legal Mavericks



Line Walker:
The Prelude
Tencent 腾讯



Heart And Greed
Tencent 腾讯



Deep In the Realm
of Conscience
Tencent 腾讯



Another Era
iQIYI 爱奇艺



The Defected
Tencent 腾讯

In 2018

myTV SUPER (16% of revenue)

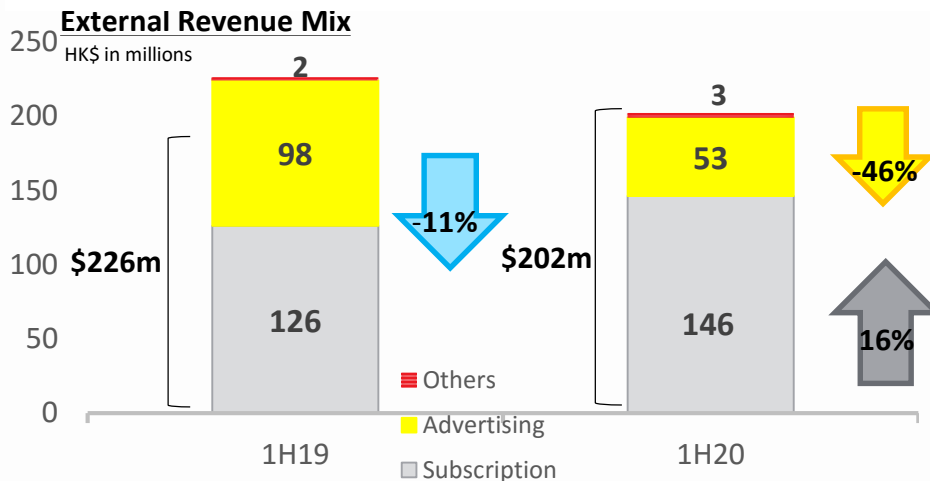
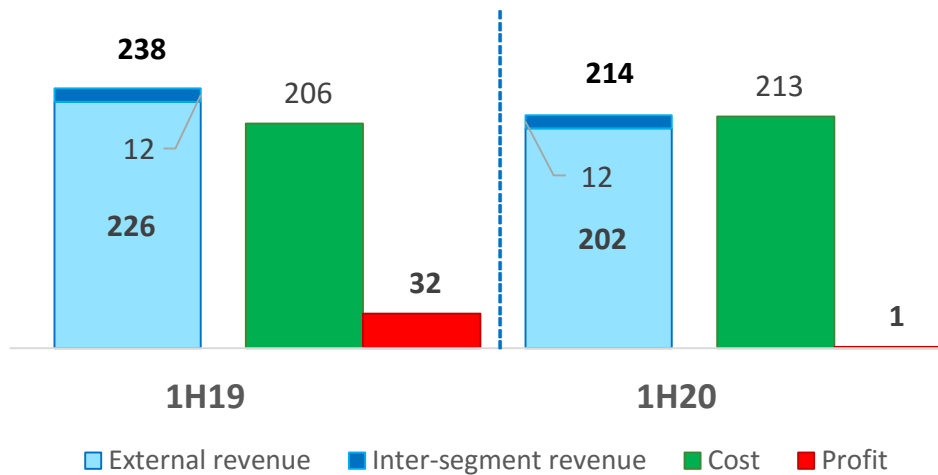


Expanding subscriber base, increase in ARPU fuel sub revenue growth

Business model: Combination of advertising and subscription model. Bundling arrangements with telco partners continued. Launched myTV Gold premium package to attract subscription. Enhance monetisation by using clickable TV ads to pave way for an eventually T-commerce platform

myTV SUPER

HK\$ in millions



- External revenue declined by 11% to HK\$202m
 - Subscription income increased 16%, fueled by expanding subscriber base and increase in annual subscription fees upon renewals since Dec 2019
 - Advertising income declined by 46% due to weak market sentiment
- Further extended clickable ad service by offering an e-commerce platform (named “OK BUY”) to capture consumers’ impulsive buying behaviour. In the first phase, viewers can connect up with the advertisers’ e-commerce platforms via mobile devices
- Future developments:
 - ✓ Adopting a direct-to-consumer strategy, **myTV SUPER Original** (offering exclusive contents) will be launched in Q4 2020 to further build ARPU and subscriber base
 - ✓ Further development efforts are being made to advertising solution to eventually build a total transaction platform

Big Big Channel Business: (5% of total revenue), profit increased by 123%

Big Big Shop is benefiting from the strong demand for e-commerce service



Big Big Channel: Over 14.8 million followers, focus on content-based advertising via self-produced short videos

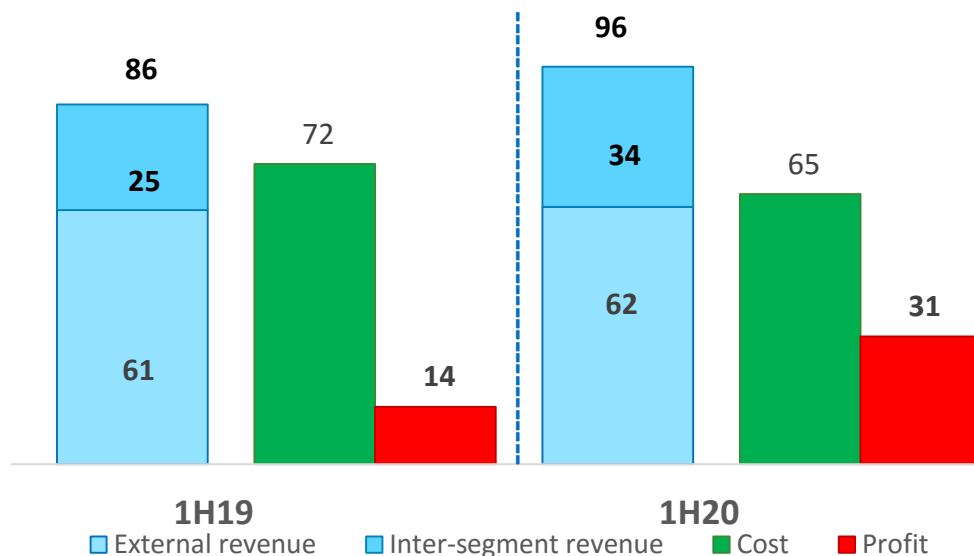
Big Big Shop: Adopt a *“Showing on TV, Selling in Big Big Shop”* model by marketing advertiser-sponsored products on TVB’s prime time shows and execute sales on Big Big Shop

Events management: Organise events for clients and promote them on social media sites

Voice Music Entertainment: Engages in music productions and publishing, concerts and artistes’ management

Big Big Channel Business

HK\$ in millions



- External revenue up 1% to HK\$62m, mainly contributed by growth in e-commerce and short video licensing business (China Mobile), but partly offset by drop in events management income (due to pandemic)

- Segment profit increased by 123% to HK\$31m

Future developments:

- ✓ **The Big Big Shop should continue to ride on the popular online shopping trend and benefit from the immense promotional power of Jade to raise sales and broaden its sales territories beyond Hong Kong.**
- ✓ **The explosion of various online video formats in mainland China have promised a new business direction for further co-operations**

Programme Licensing and Distribution (27% of revenue)

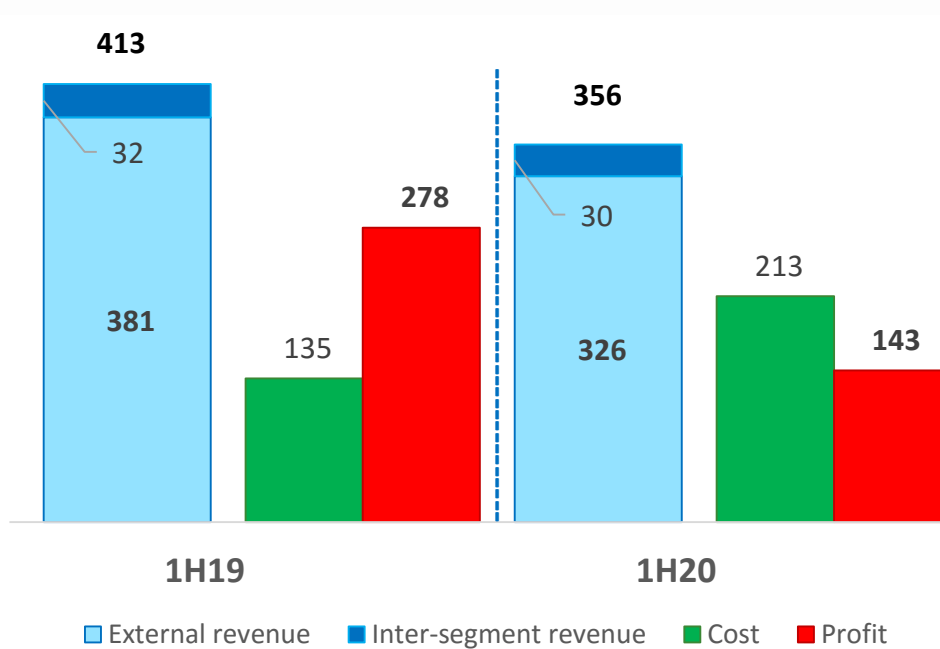


Working closely with platform partners on new media licensing

Business model: **B2B**. Licensing of TVB produced programmes to operators of pay TV, online videos for exhibition on their platforms.

Programme Licensing and Distribution

HK\$ in millions



- External revenue decreased by 14% to HK\$326m due to lower sharing of advertising revenue
- The absence of a write-back of impairment losses of HK\$38m booked in 1H2019 pertaining to prior year's receivables of landing rights fees also contributed to the decline in profit
- Future developments:
 - ✓ Overseas content distribution is gradually switching from limited-reach B2B traditional licensing to a wide-open B2C and B2B2C OTT distribution to expand customer base and revenue stream

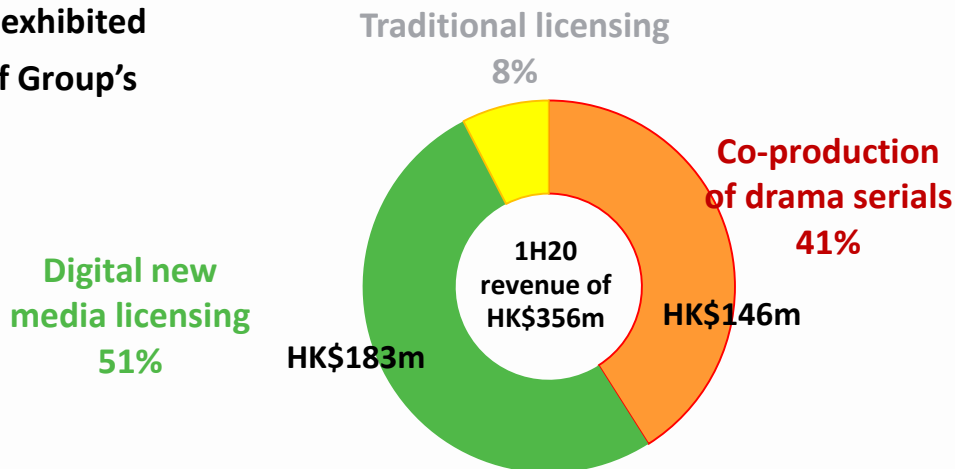
Promising growth opportunities in Mainland China Operations



Fueled by co-production business and licensing income from online platforms

New strategic framework cooperation agreement with Youku will contribute further growth

Mainland China business exhibited robust potential; **29%** of Group's turnover



■ Mainland China Revenue increased by **54%** from HK\$231m to HK\$356m

- Generated co-production income of HK\$146m from Tencent, iQiyi, Youku for platform-exclusive drama series upon resumption of co-production with Chinese online platforms. The drama projects were temporary suspended during 2018/2019 due to an industry-wide regulatory review
- Licensing income from online platforms (i.e.: Youku) totaled to HK\$183m

■ Future developments:

- Recently, Youku and TVB entered into a strategic framework cooperation agreement to strengthen cooperation on distribution and production of dramas and variety shows, artiste management, e-commerce and streaming service which will increase exposure of TVB's content on Youku's platform
- Through our subsidiary TVBC and our strategic partnership with Youku, we will continue to expand our business scope in mainland China

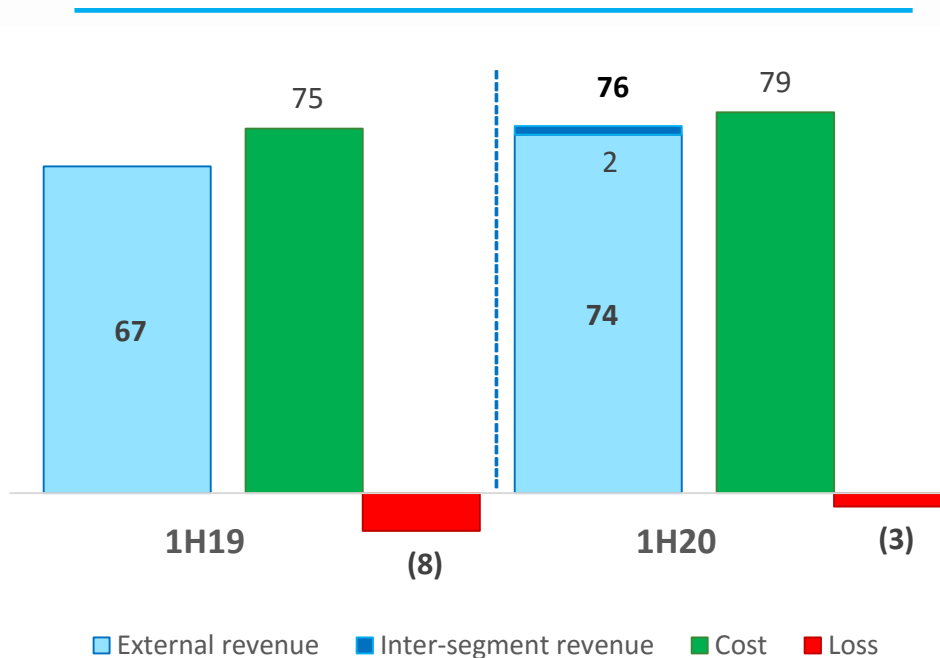
Overseas Pay TV and TVB Anywhere: (6% of revenue)

Extend TVB's reach in overseas markets by way of TVB Anywhere OTT



Business model of TVB Anywhere OTT service : TVB's overseas OTT service currently covers territories outside of Hong Kong.

Overseas Pay TV and TVB Anywhere



- External revenue increased 10% to HK\$74m as subscriber base continued to grow, loss further narrowed by 64% to HK\$3m
- Together with subscribers/users from overseas third party platforms carrying TVB content, we have a user base of over 15.2 million
- In April 2020, TVB Anywhere SVOD service was supplied to Huawei Video app, a pre-loaded application on all Huawei mobile devices, which allows TVB Anywhere to reach Huawei handset users in 26 markets initially, and increasing to over 50 markets in 2021
- Future developments:
 - ✓ Launch an updated version of TVB Anywhere STB based on Google's Android TV platform.
 - ✓ Use comprehensive OTT features to attract new partnership with mobile and broadband operators and mobile device manufacturers



- Mainland China is one of the Group's key markets for future growth. Our co-production business has been strengthened with a solid pipeline of drama projects currently under production and under active negotiation. Through our subsidiary TVBC and our strategic partnership with Youku, we will continue to expand our business scope in mainland China.
- Internationally, we expect our TVB Anywhere OTT service to replace conventional licensing and directly capture a larger share of overseas Chinese audience, by leveraging on TVB's high quality and deep archive of Chinese language content.
- Big Big Shop should continue to ride on the popular online shopping trend and benefit from the immense promotional power of Jade to raise sales and broaden its sales territories beyond Hong Kong.
- The road to recovery is full of uncertainties. Outlook of the Group's advertising-related businesses will remain challenging for the remaining months of 2020, but we are cautiously optimistic that our businesses in the second half of 2020 will progressively recover. We are confident that our service propositions covering online and offline platforms are attractive to advertisers and marketers in the region including the Greater Bay Area.



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