

Television Broadcasts Limited
(Stock code: 0511)



“Transformation: From Terrestrial Broadcaster to Multiple Digital Platforms”

2018 Interim Results Announcement
22 August 2018

MYTV
SUPER



TVB 2018



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1H Business Highlights



Business highlights of our three media platforms (Terrestrial broadcasting, OTT and Social media)

Income from advertisers under Hong Kong TV Broadcasting recovered by 2%.

In Mainland China, digital new media licensing and co-production of drama serials for online video platforms reported robust growth.

myTV SUPER (OTT service in HK) continued to grow. No of users to-date has exceeded 6.6 million. Business segment turned profitable.

TVB Anywhere (OTT service in overseas) is beginning to gain traction. Business segment narrowed losses by 95%.

Big Big Channel (social media platform) global followers have exceeded 11.3 million to-date. Launched an e-shop Big Big Shop in July 2018.



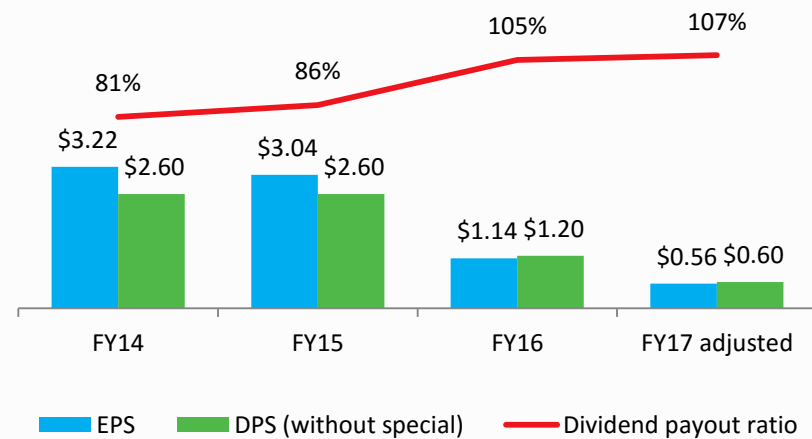
1H Financial Highlights

- Revenue increased by 10% to HK\$2,231 million.
- Total costs increased by 10% to HK\$1,993 million.
- Operating profit increased by 33% to HK\$394 million.
- Adjusted EBITDA increased by 11% to HK\$463 million.
- Profit attributable to equity holders increased by 18% to HK\$201 million. An EPS HK\$0.46.
- Interim dividend of HK\$0.30.

Dividends

	1H18	FY17
	HK\$	HK\$
First interim dividend paid re:FY16	<u>N/A</u>	<u>0.60</u>
Second interim dividend paid	0.30	0.30
Final dividend recommended	-	0.30
Total dividends		0.60
Special dividend recommended		0.70
Total dividends including special		<u>1.30</u>

EPS and DPS (FY14-17)





Advertising revenue under Hong Kong TV Broadcasting is anticipated to continue its recovery path for the full year 2018. TVB will develop more product sponsorship opportunities for advertising clients

With the success of the co-production drama serials, TVB continues to explore increasing business opportunities in Mainland China

Growth momentum of three digital new media platforms, myTV SUPER, TVB Anywhere and Big Big Channel, is anticipated to accelerate

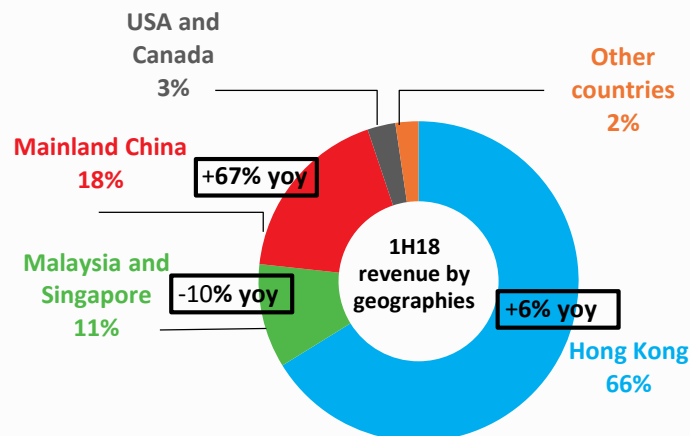
1H18 Consolidated Income Statement



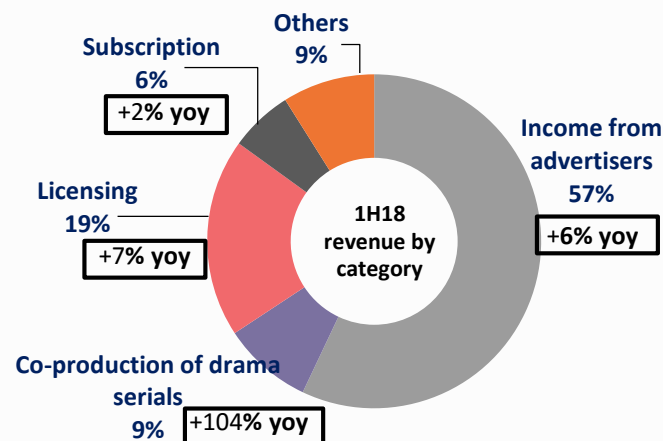
HK\$ million	1H17	1H18	yoy chg
Revenue	2,021	2,231	10%
Total cost (COS + SG&A)	(1,810)	(1,993)	10%
Other revenues & other gains, net	23	19	-14%
Interest income	43	110	156%
Gain on disposal of investment properties	19	27	46%
Operating profit	296	394	33%
Finance cost	(79)	(69)	-13%
Share of losses of JV and associates	(1)	(49)	NM
Profit before income tax	216	276	28%
Income tax expense	(43)	(49)	14%
Profit for the period	173	227	31%
Profit attributable to equity holders	170	201	18%
Earnings per share (HK\$)	0.39	0.46	18%

Note: NM – not meaningful

Mainland China Revenue up 67%, contributing 18%



A more diversified revenue base, co-production income up 104%

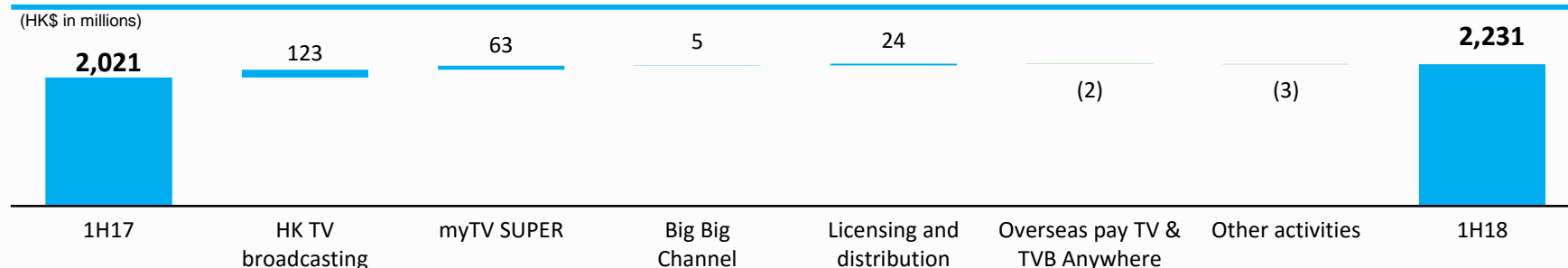


Segment Analysis

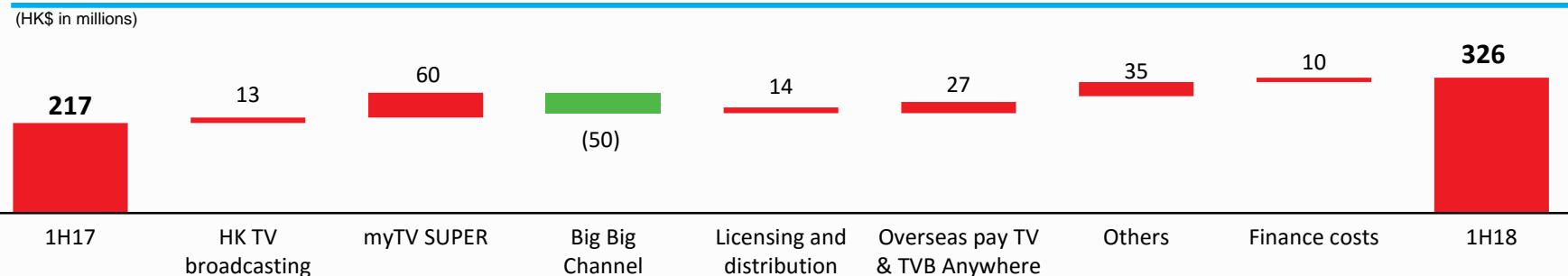


HK\$ million	1H18 Revenue	yoy change	1H18 Profit	yoy change	Explanation
HK TV broadcasting	1,435	9%	95	16%	Increase in co-production income from China and ad revenue
MyTV SUPER	182	53%	0.085	NM	Turned profitable with robust growth in revenue
Big Big Channel business	27	21%	(20)	NM	Upfront investment and OPEX required for new platform
Programme licensing and distribution	485	5%	267	5%	Robust growth in digital new media licensing revenue from China
Overseas pay TV & TVB Anywhere	73	-2%	(1)	-95%	Narrowed losses with digital transformation
Other activities	29	-13%	27	NM	
Finance costs	-	NM	(69)	-13%	
Subtotal before non-recurring items	2,231	10%	299	50%	
Gain on disposal of investment property	--		27	46%	Non-core asset in Taipei
Total	2,231	10%	326	50%	

Changes in Revenue (by segment analysis)



Changes in Profit (by segment analysis)



We are committed to investing in content and digital new media



Three important strategies to drive long-term success

Raising Content Standard


“Content is king” remains as TVB’s core business strategy.

Over the years, TVB increased the annual output to 23,700 hours to meet growing demands

Rebranded J2 channel and TVB Finance & Information channel, each FTA channel now carries distinct characteristics targeting different audience demographics.



Develop Markets

In FY17, TVB began to produce platform-exclusive content for **Tencent 腾讯**  **爱奇艺**

悦享品质

Two co-production drama serials (72 episodes) earned HK\$194 million in 1H18 (1H17: HK\$95 million for 58 episodes). These titles generated significant viewerships in both Hong Kong and Mainland China, provided higher production budgets.

Invest in Digital

Launched new OTT and social media platforms with notable results to date



TVB now possess a complete spectrum of media platforms spanning terrestrial TV, OTT service and social media, which position us as a major multi-platform solution to advertisers for commercials, referral marketing, content marketing, and e-commerce businesses.

Raising Content Standard : continued to invest heavily in content creation

Investing in Digital : myTV SUPER contributes to significant TV ratings



Consolidated TV ratings ⁽¹⁾ of Jade Channel's Top 3 Drama Series
up to 5 August 2018



1st

Deep In the Realm of Conscience

Average rating

28.6 TVRs (5.0 TVRs via myTV SUPER)

Finale on 8 July 2018

35.6 TVRs (6.1 TVRs via my TV SUPER)

2nd

Who Wants a Baby

Average rating

28.1 TVRs (4.4 TVRs via myTV SUPER)

Finale on 3 August 2018

30.2 TVRs (5.5 TVRs via my TV SUPER)

3rd

Daddy Cool

Average rating

26.7 TVRs (3.2 TVRs via myTV SUPER)

Finale on 18 May 2018

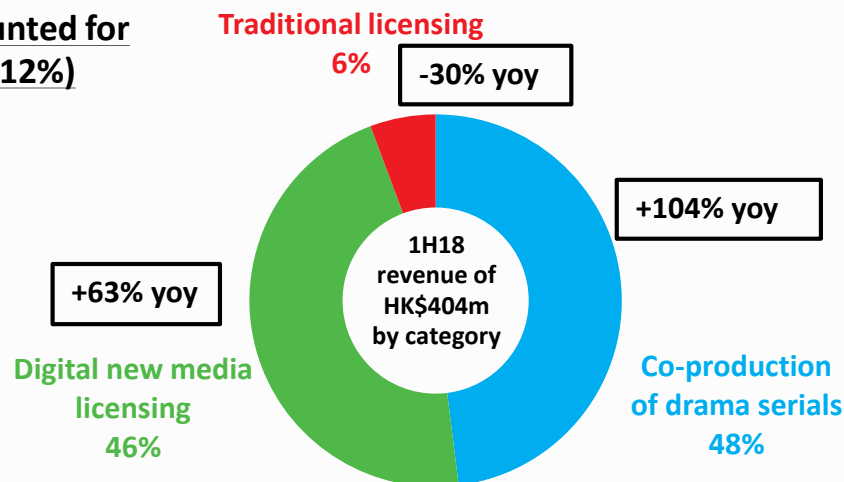
30.0 TVRs (4.7 TVRs via my TV SUPER)

As TV consumption shift towards OTT, myTV SUPER (with as live viewing and VOD functions) makes important contribution to TV ratings

Promising Growth in Mainland China Operations: Increase in co-production income & licensing income from digital new media platforms



Mainland China Revenue accounted for 18% of Group Turnover (1H17: 12%)



- Mainland China Revenue increased by 67% from HK\$243m to HK\$404m
 - Co-production income from Tencent and iQiyi for platform-exclusive drama series increased by 104% from HK\$95m to HK\$194m.
 - Better digital new media licensing income from Youku. Revenue increased by 63% from HK\$115m to HK\$187m.
 - Lower traditional licensing revenue from satellite TV stations.
- Future developments:
 - ✓ Directing more efforts into digital new media sector to capture opportunities.
 - ✓ Develop “Mai Dui Dui”, a new mobile app which targets TVB fans in Mainland China.

Develop Markets : Notable successes on production of platform-exclusive drama serials with Tencent and iQiyi



Higher production budget and profit in 1H18 given robust viewership of 2017 titles

Benefit : Increase TVB presence in Mainland China, provide higher production budgets, good retention for talents.

Business model: B2B, cost plus model. TVB, executes the entire production for a fee. Exploitation of the associated rights are allocated between the respective online partners.

Released concurrently in Mainland China and Hong Kong in 2017



Legal Mavericks
(28 episodes)

Accumulative stream
views > 570 million



Line Walker: The Prelude
(30 episodes)

Accumulative stream
views > 2.5 billion



Heart And Greed
(40 episodes)

Accumulative stream
views > 1.5 billion



New releases in 2018
(Titles already delivered to Mainland China Partners)



Deep In the Realm of Conscience
(1H18)
(36 episodes)

Accumulative stream
Views > 3.5 billion



Another Era
(36 episodes)
Coming soon
in 2H18



With the strong funding backing the digital new media sector, we are devoting more efforts and resources on exploring new media business in Mainland China in the coming years.

myTV SUPER's popularity is rapidly increasing with both viewers and advertisers: **Turned profitable in 1H18, expect further positive contribution in FY18**



As of 12 August 2018, registered users of this OTT service had exceeded **6.6 million**

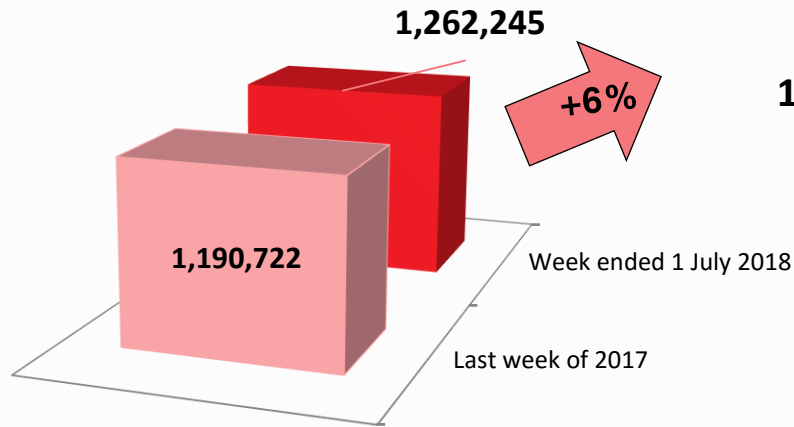


- ✓ Great functionality (live viewing of 40 **channels**, as-live viewing (within the last three hours)) and huge content (VOD library of over **58,000 hours**)
- ✓ User-friendly features includes myTV SUPER Remote App, smart download
- ✓ Increasing ad load (30 sec in-stream ad, pop-up banner, U-shaped/L-shaped display ad)
- ✓ Reach out to young affluent audience, engage the millennials and gen X

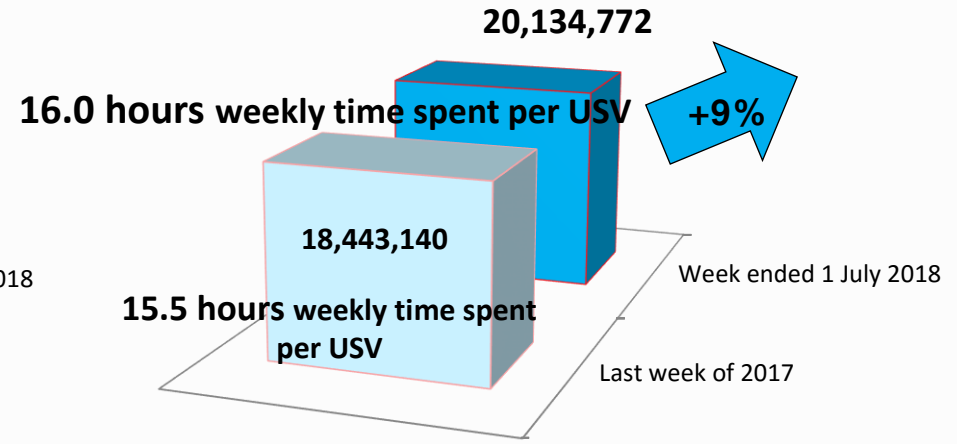
KPIs of myTV SUPER: Continual growth of subscriber base and consumption hours boosted the overall TV ratings



Number of active users



Consumption (Hours)



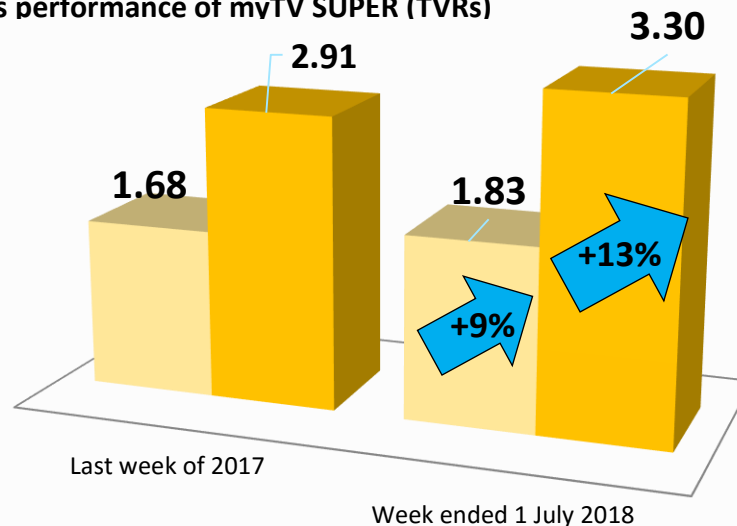
Weekly unique stream viewers (USV)

■ Last week of 2017 ■ Week ended 1 July 2018

Weekly time spent

■ Last week of 2017 ■ Week ended 1 July 2018

Ratings performance of myTV SUPER (TVRs)



■ All-day-all-time ratings ■ Prime time ratings

- As TV consumption shifts towards OTT, the consumption hours of myTV SUPER is growing alongside subscriber base.
- All-day-all-time average rating was **1.83 TVRs** in week ended 1 July 2018. Prime-time rating was **3.30 TVRs**, further contributing to the viewership of terrestrial channels.

myTV SUPER OTT Service is the BEST of Digital and TV

Deploy New Digital Precision to deliver targeted advertising to the right consumer groups to maximise value of ad placed



Key benefits of advertising on myTV SUPER vs other digital platforms

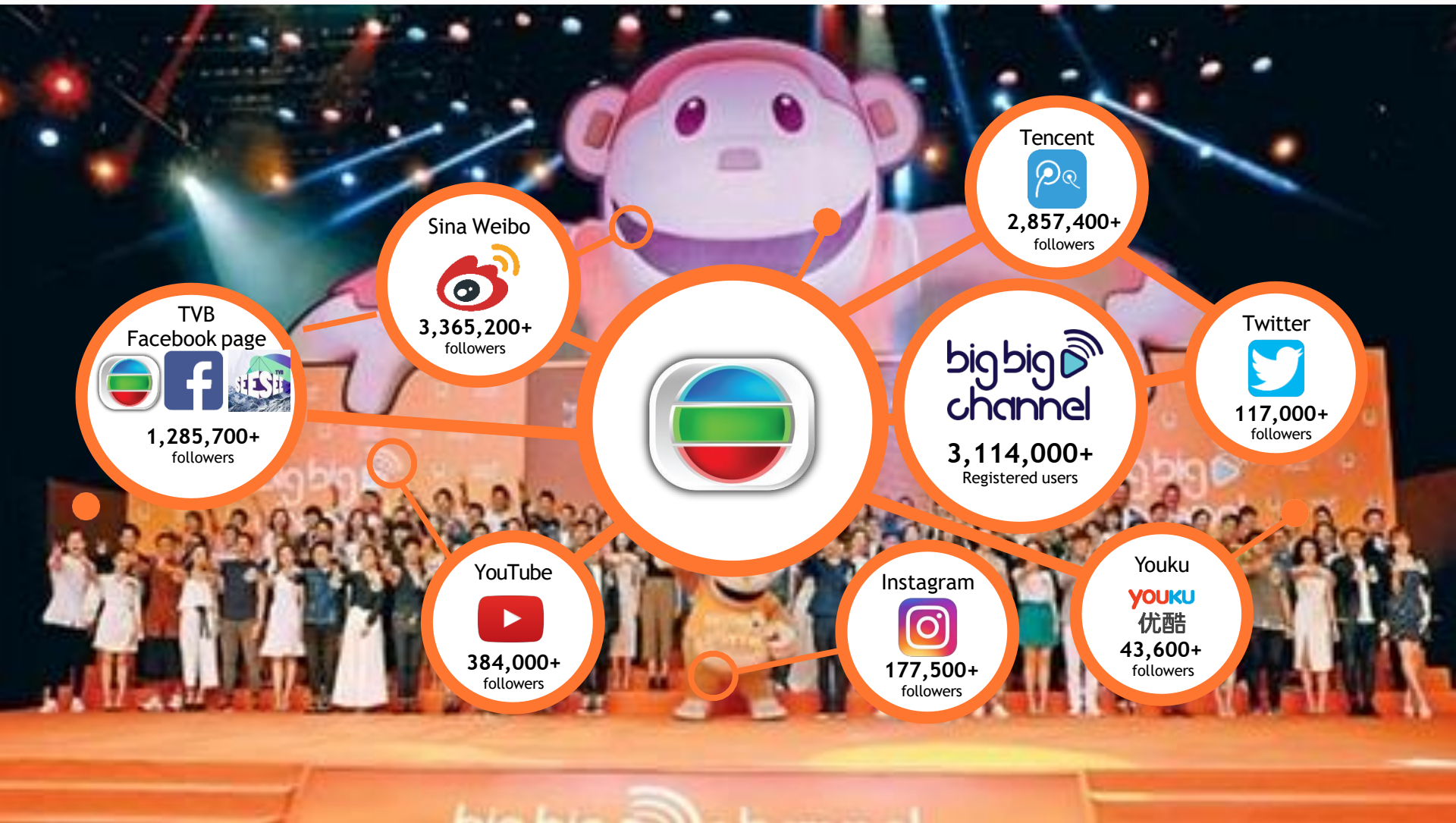


Commercials - In-stream ad, u-shape, L-shape display ad, video pop-up banner, mobile LREC

Referral marketing - New clickable and measurable display U-shape (QR code guides the viewers to advertisers' website)

Social Media Power: Big Big Channel and its digital network

Global followers exceeded 11.3 million



All platforms carrying Big Big Channel content: Weekly unique visitors of 10.4 million, generating over 10 million stream views per week

Big Big Channel: New social media platform launched in July 2017 to capture content marketing and e-commerce opportunities



Marketing capabilities of Big Big Channel



Big Big Channel Key features

Content Marketing

- ✓ TVB-produced short-format content
- ✓ Spin-off of TVB dramas and shows
- ✓ Create synergies with Terrestrial TV broadcasting (**"Show and Sell"**)
- ✓ Exclusive content on a wide range of chic topics (i.e.: home-cooking, dining-out, beauty advice, child-caring, music, young lifestyles, online games, entertainment news etc.)

Innovative Social Experience

- ✓ Live chat and send virtual gifts to artistes/KOLs
- ✓ Regular updates from artistes
- ✓ Interactive online games (i.e.: mahjong, e-sports, karaoke)

E-commerce (Big Big Shop)

- ✓ Launched in HK in July 2018, will later extend it to neighboring markets

Big Big Channel exhibits TVB online power, offering a strong online advertising solution in HK

Big Big Shop: "Show and Sell"

Stimulate consumers' impulse to buy through showing on terrestrial TV



Benefit : Increase the economic value of our TV programmes

Business model: Collaborating with advertisers/clients to sell products at Big Big Shop for a commission. TVB takes care of the filming of the promotional videos, where clients are responsible for the delivery of goods and customer services.

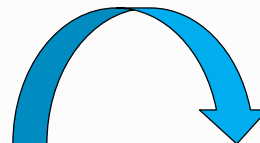
A popular cooking programme on Jade, "Good Cheap Eats 7"



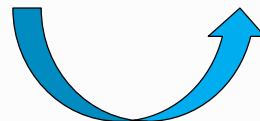
Exclusive offerings (i.e.: new product launch, free gifts)



Purchase order is processed through Big Big Shop
Recipes and spin-off are available on Big Big Channel app to attract user engagement



"Show and Sell"
Combining efforts
to boost sales



Appendix

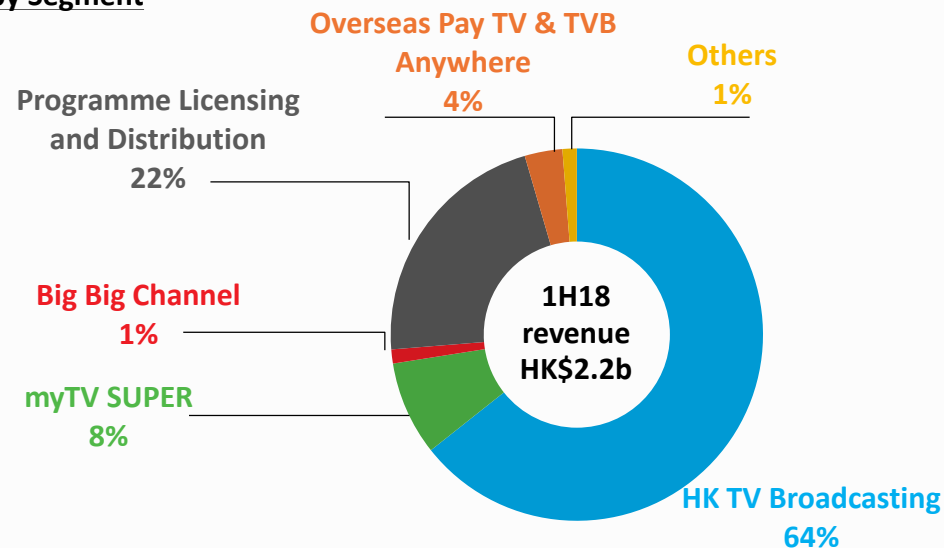


1H18 Segment Analysis



HK\$ million	1H18 Revenue	yoy change	1H18 Profit	yoy change
HK TV broadcasting	1,435	9%	95	16%
MyTV SUPER	182	53%	0.085	NM
Big Big Channel business	27	21%	(20)	NM
Programme licensing and distribution	485	5%	267	5%
Overseas pay TV & TVB Anywhere	73	-2%	(1)	-95%
Other activities	29	-13%	27	NM
Finance costs	-	NM	(69)	-13%
Subtotal before non-recurring items	2,231	10%	299	50%
Gain on disposal of investment properties	--		27	46%
Total	2,231	10%	326	50%

1H18 Revenue by Segment



Hong Kong TV Broadcasting (64% of revenue): Co-production income and ad revenue increased; product placement will grow

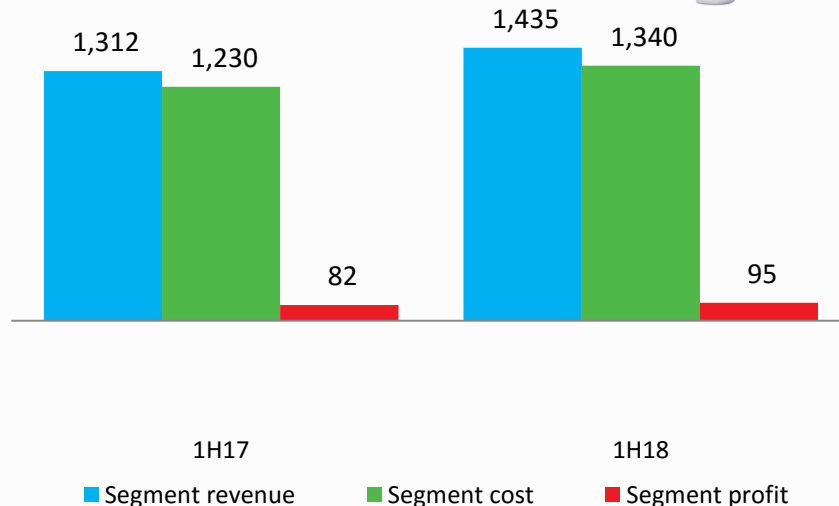


TVB's five terrestrial TV channels engage with **5.6** million viewers every week, audience share over 80%.

Business model: Free-to-air broadcasting of 5 terrestrial TV channels (Jade, J2, TVB News, Pearl, TVB Finance & Information), each with clear audience targets in return for advertising and production revenue.

Hong Kong TV Broadcasting

(HK\$ in millions)



- Revenue up by 9% or HK\$123m, mainly due to:
 - Co-production income of drama series from Tencent and iQiyi increased 104% from HK\$95m to HK\$194m
 - Income from advertisers recovered by 2% from HK\$1,130m to HK\$1,151m
- Cost up by 9% to HK\$1,340m, partly to support high production requirements of co-production dramas and general cost increases for programme production
- Segment profit margin of 6.6% (1H17: 6.2%)
- Future developments:
 - ✓ **Advertising revenue will continue its recovery path**
 - ✓ **Will increase product placements in programmes**
 - ✓ **More co-production opportunities for online video platforms in Mainland China**

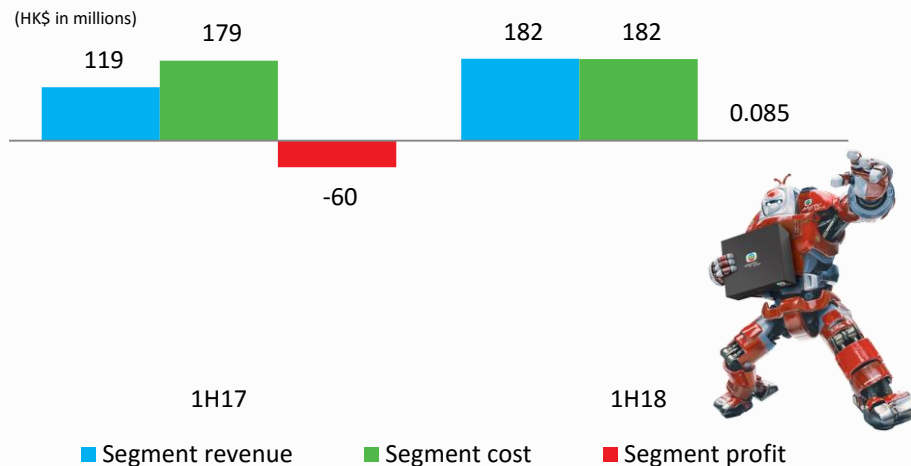
myTV SUPER (8% of revenue): Segment turned profitable

Increasing eyeballs are driving revenue growth, advertising sales up 76%



Business model: Combination of advertising and subscription model. Bundling arrangements with trusted network partners continued. Introduced Data Management Platform (DMP) to distribute targeted ad, added new ad features (i.e.: clickable U-shape wallpaper) to improve monetisation.

myTV SUPER



- Revenue up by 53% or HK\$63m, mainly fueled by:
 - Promising growth in subscription and advertising income
- **Segment turned profitable, 1H18 gained HK\$85k**
- Future developments:
 - ✓ **Further yield positive contribution in 2018**
 - ✓ **Enrich values to myTV SUPER advertisements for unlocking the true sales potential**

Big Big Channel Business: Launched e-shop in July 2018

Focus on content marketing and e-commerce to capture value from digital world



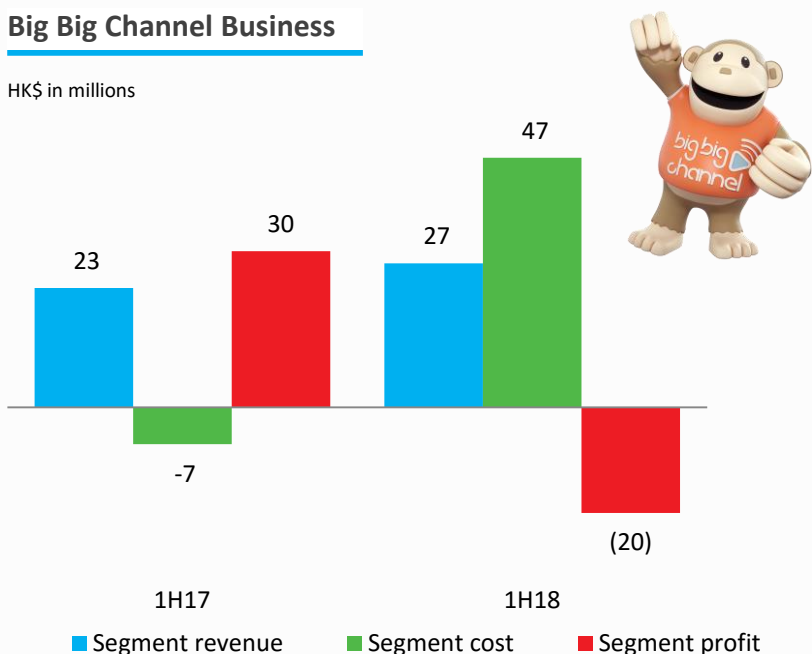
This business segment comprise of Big Big Channel and Voice Music Entertainment.

Business model for Big Big Channel*: Content marketing and e-commerce. This new social media platform engages with users via a free app and portal, offering chic self-produced short videos featuring TVB's artistes and KOIs.

Business model for Voice Music Entertainment: Earned music entertainment income by engaging in music productions and publishing, concerts and singer management.

Big Big Channel Business

HK\$ in millions



- Since the inauguration of Big Big Channel in July 2017, more ad income was generated from this online social media platform.
- Owing to upfront investment in capital and operations required for this new platform, a segment loss of HK\$20 million was incurred.
- Future developments:
 - ✓ Launched e-commerce platform, Big Big Shop in July 2018, adopting a “Show and Sell” model, which achieved initial success during soft launch period.
 - ✓ Expand client base of Big Big Shop and further exploit e-commerce potential

* The online social media business is undertaken by Big Big Channel Limited, which became a subsidiary of TVB in November 2016 and was previously engaged in Hong Kong Pay TV business prior to the surrender of the pay TV license in July 2017.

Programme Licensing and Distribution (22% of revenue):

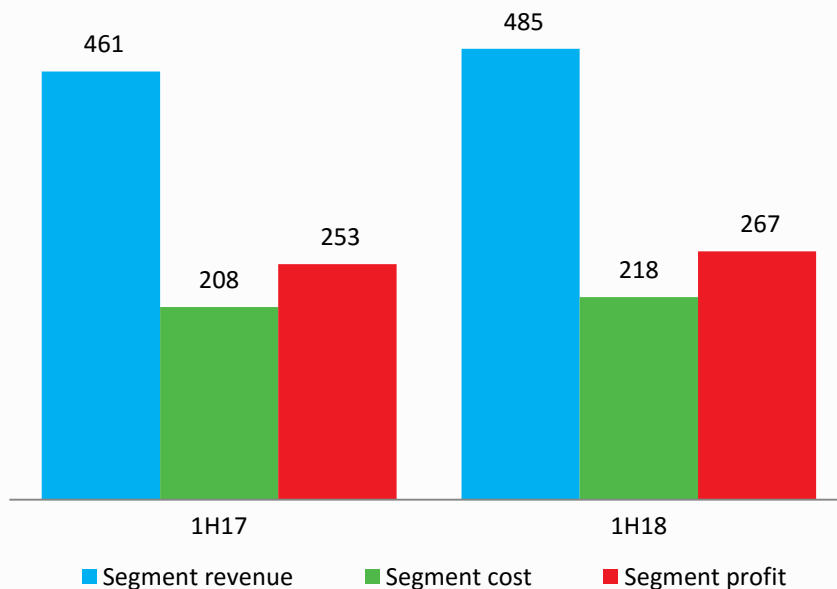
Strong growth in digital new media licensing to Mainland China online video platforms



Business model: **B2B**. Licensing of TVB produced programmes to operators of pay TV, online platforms for exhibition on their traditional and digital new media platforms. Some programmes are locally produced to enhance the station's appeal in those markets.

Programme Licensing and Distribution

(HK\$ in millions)



- Revenue increased 5% or HK\$24m
 - Better digital new media licensing income from Mainland China, revenue increased by 63% to HK\$187m, mainly from Youku.
 - Lower traditional licensing revenue from Singapore and Vietnam as a result of change in the terms of new supply contracts.
- Segment profit margin of 55% (1H17: 55%)
- Future developments:
 - ✓ Overseas content distribution will gradually be replaced by OTT operation (i.e.: switching from limited-reach traditional licensing to a wide-open OTT distribution to expand customer base and revenue potential)
 - ✓ Building a local sales and marketing team in Singapore to expand income from subscription and advertising sources

Overseas Pay TV and TVB Anywhere: Narrowed loss by 95%

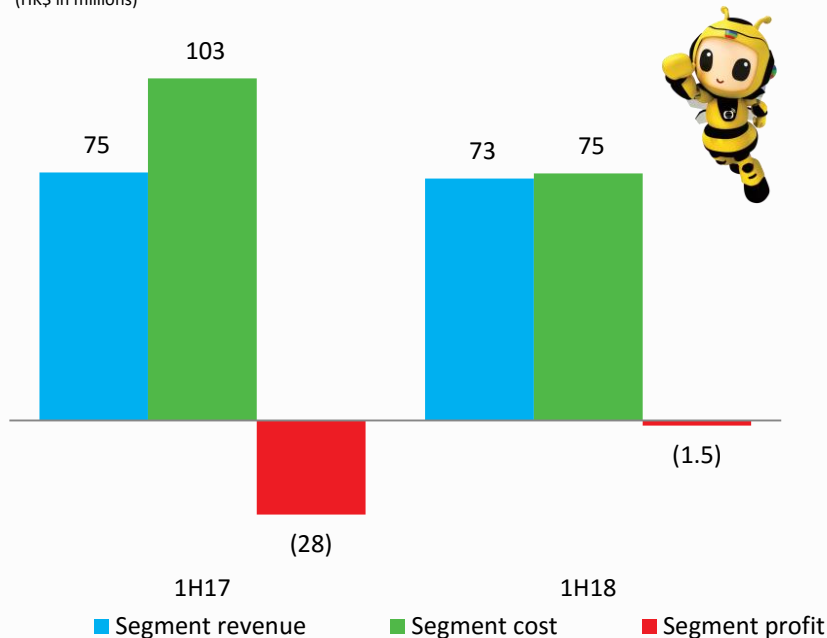
Extend TVB's reach in overseas markets by way of digital services with TVB Anywhere OTT



Business model of TVB Anywhere: TVB's overseas OTT service currently covers territories outside of Hong Kong but excluding Mainland China and USA. In the USA, TVB licenses mainly to DISH Network for distribution through satellite (this arrangement will end in November 2019).

Overseas Pay TV and TVB Anywhere

(HK\$ in millions)



- Revenue decreased 2% or HK\$1.8m
 - Subscriber base continued to grow with expanded territories (i.e.: Macau, bundled arrangement with CTM started in December 2017) , but low ARPU model has impacted overall revenue as business migrated from satellite to digital transmission (i.e.: Australia).
- Bigger cost savings of HK\$28m as business migrated from satellite to digital transmission
- Narrowed loss by 95% from HK\$28 million to HK\$1.5m deficit
- Future developments:
 - ✓ Plan to launch TVB Anywhere in key markets in Southeast Asia (i.e.: Thailand, Singapore, Malaysia)
 - ✓ Deliver positive segmental contribution

Financial Position



HK\$ million	31 Dec 2017 Audited	30 June 2018 Unaudited
Non-current assets	3,863	6,134
Current assets (other than restricted cash, bank deposits, cash and cash equivalents)	2,953	3,152
Bank deposits, cash and cash equivalents	893	2,029
Restricted cash	4,307	1
Total assets	12,016	11,316
Total equity	7,157	6,929
5-year Notes due 2021	3,814	3,302
Other liabilities	1,045	1,085
Total liabilities	4,859	4,387
Total equity and liabilities	12,016	11,316

- As of 30 June 2018, gearing ratio was 48.2% (31 December 2017: 53.3%)
- 1H18 CAPEX amounted to HK\$226 million (1H17: HK\$262 million)

Strategic investments: Movie production platforms and TV programme slate



Investments in movie business

- These platforms naturally extend our expertise in programme production into international movie arena and help capture the growth of box office revenue globally.



TVB's investment cost in:

Flagship (5.1% stake)	HK\$47.4m
Shaw Brothers (12% stake)	HK\$174.0m



- Flagship Entertainment – Two movie titles (Nice a Nice Day and Really?) were released in 1H18. Production of Hidden Man and MEG has completed and are scheduled for release in 2H18.
- Shaw Brothers Holdings – The web series (The Protector), coproduced with iQiyi will be released in 2H18.

Investment in production of TV drama serials on a co-production basis with networks in the US

- In July 2017, a JV called Imagine Tiger Television (ITT) was formed between TVB and Imagine Entertainment to finance the production and development of a TV slate in the US.



TVB's total investment in:

ITT	US\$100m
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(US\$33.3m in equity, US\$66.7m in promissory note bearing 12% p.a.)

- TVB and Imagine each own 50% of the JV. Imagine contributes in kind (i.e.: production service). TVB will have the rights to use the programmes in the PRC, Taiwan, Hong Kong and Macau.
- 30 projects under development of which six projects were sold into development at various networks, which includes 68 Whiskey, a dark comedy based on the Israeli TV show Charlie Golf One that was sold to Paramount Network in 1H18.
- History of success with blockbuster shows, will translate into further sold projects and successful TV shows.



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ANNIVERSARY

