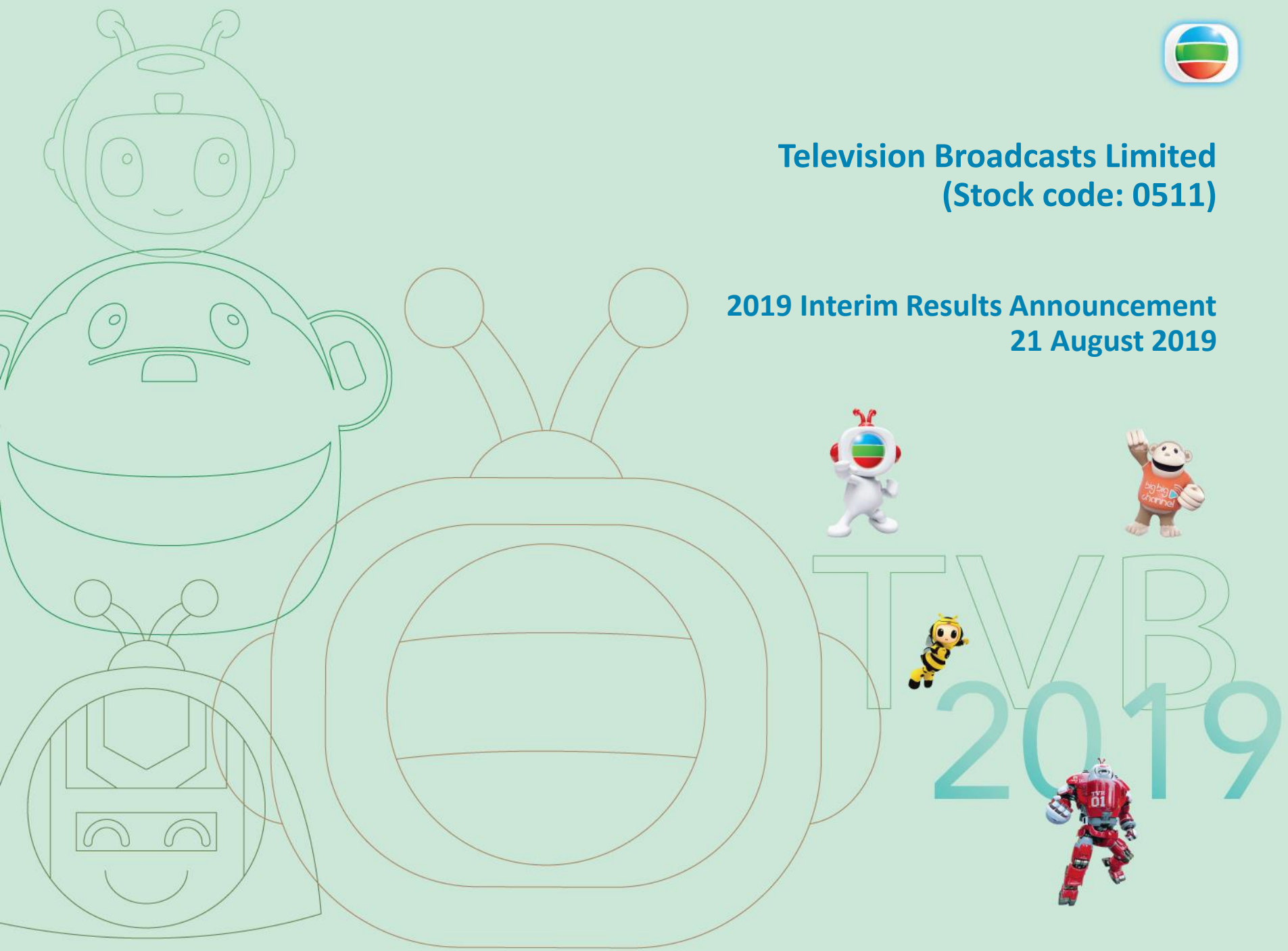




Television Broadcasts Limited
(Stock code: 0511)

2019 Interim Results Announcement
21 August 2019



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1H19 Results Highlights



- Profit attributable to equity holders increased by 6% to HK\$213 million. Earnings per share increased to HK\$0.49 per share.
- An interim dividend of HK\$0.30 per share declared (2018: HK\$0.30 per share).
- Revenue decreased by 12% to HK\$1,965 million due to the absence of co-production revenue in 1H19 (1H18: HK\$194 million). It is anticipated that as the business resumes, co-production income for 2019 can be recognised in 2H19.
- Ad income under HK TV broadcasting dropped by 1% to HK\$1,136 million.
- Income from new media, myTV SUPER and Big Big Channel Business, in aggregate, rose by 37% to HK\$287 million.
- Total costs dropped by 13% to HK\$1,724 million, due to the absence of co-production costs.

SMI Bonds

- There have been a number of developments since 31 December 2018, including the discovery of unauthorised pledges of shares by SMI, and the Company's plan to submit a new petition to the court to wind-up SMI following the settlement of HSBC's petition in August 2019.
- The Board has commissioned an independent valuation of the SMI Bonds, and has formed the view that no change in the carrying value of the SMI Bonds was considered necessary at this stage.
- The Special Taskforce has been working expeditiously with its advisers and the Company on enforcement and recovery actions with the objective to maximise the recovery of the amounts invested in the SMI Bonds. In the coming months, the Company, together with Special Taskforce, will continue to assess all available options, and will further assess the need for impairment, if any, at the end of 2019.

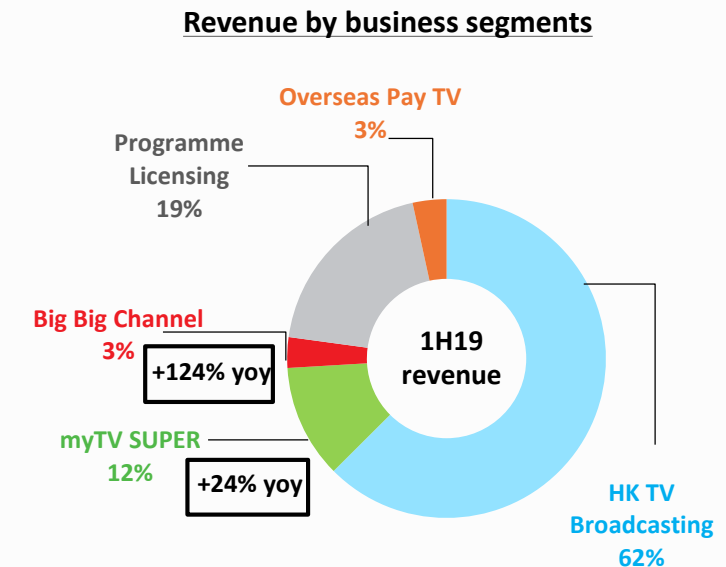
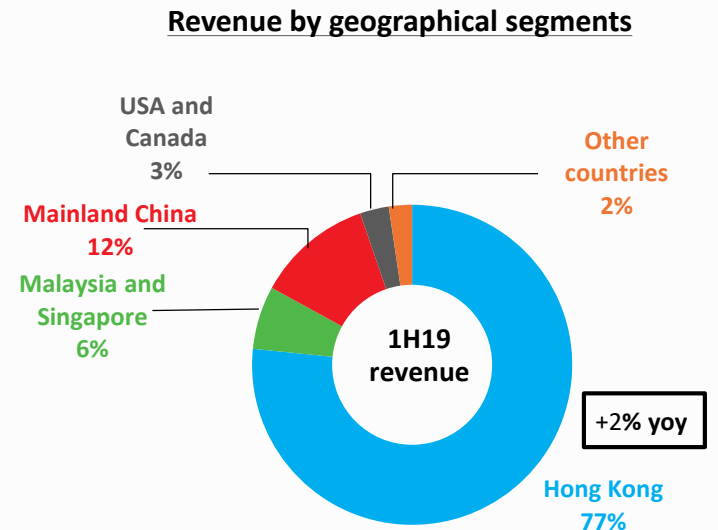
1H19 Consolidated Income Statement



HK\$ million	1H18	1H19	yoy chg
Revenue	2,231	1,965	-12%
Cost of sales	(1,145)	(911)	-20%
Gross profit	1,086	1,054	-3%
Other revenues & other gains, net	20	26	35%
Interest income	110	97	-12%
SG&A expenses	(842)	(812)	-4%
(Impairment loss)/reversal of impairment loss on trade receivables	(6)	43	NM
Impairment loss on bonds securities	-	(20)	NM
Gain on disposal of investment properties	27	-	NM
Finance costs	(69)	(57)	-17%
Share of losses of JV & associates	(50)	(51)	4%
Profit before income tax	276	280	1%
Income tax expense	(49)	(47)	-5%
Profit for the Period	227	233	3%
Profit attributable to equity holders	201	213	6%
Earnings per share (HK\$)	0.46	0.49	6%

Total costs reduced by 13% to HK\$1,724 million

Note: NM – not meaningful



Balance Sheet



HK\$ million	31 Dec 2018	30 Jun 2019
Financial assets (current and non-current)	3,113	3,105
Less: provision for impairment loss*	(526)	(546)
Net financial assets	2,587	2,559
Property, plant and equipment	1,811	1,733
Trade and other receivables, prepayment and deposits	2,297	2,079
Cash and bank deposits	1,270	856
Other assets	2,291	2,551
Total assets	10,256	9,778
Total equity	6,307	6,234
5-year Notes due 2021 **	3,017	2,545
Other liabilities	932	999
Total liabilities	3,949	3,544
Total equity and liabilities	10,256	9,778

At 30 June 2019, the gearing ratio, expressed as a ratio of net debts to total equity, was 30.2% (31 December 2018: 29.1%).

* At 31 December 2018, an impairment loss of HK\$26 million has been made against CERC bonds with nominal amount of US\$12 million. An impairment loss of HK\$180 million has been made against SMI unsecured fixed coupon bonds with nominal amount of US\$23 million. A fair value loss of HK\$320 million has been made against SMI secured convertible bonds with nominal amount of US\$83 million. At 30 June 2019, a general impairment loss of HK\$20 million has been made.

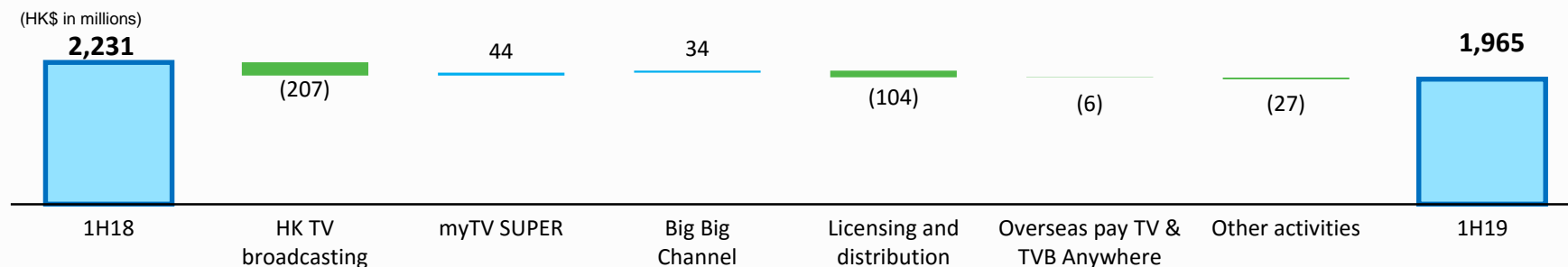
** Net of an cumulative of US\$172 million nominal amount of TVB notes purchased, representing about 34% of the total issue.

Segment Analysis

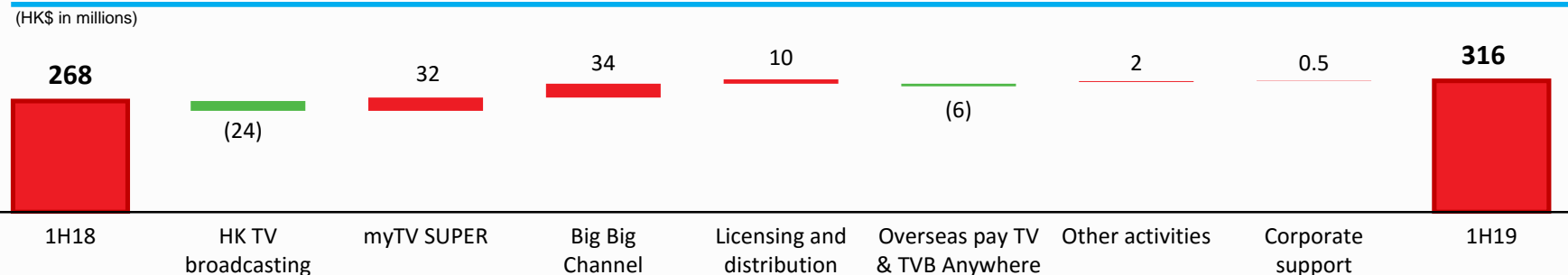


HK\$ million	1H19 External revenue	yoy change	1H19 Profit	yoy change	Explanation
HK TV broadcasting	1,228	-14%	78	-23%	Ad income -1%; absence of co-production income
MyTV SUPER	226	24%	32	>100%	Revenue growth further enhanced profit
Big Big Channel business	61	124%	14	NM	Became profitable with robust topline growth
Programme licensing and distribution	381	-21%	278	4%	Cut cost to sustain profit given lower fees from Singapore
Overseas pay TV & TVB Anywhere	67	-8%	(8)	NM	Change of business model in Australia
Other activities	2	-93%	(3)	NM	
Corporate support	-	NM	(75)	1%	
Subtotal before impairment loss	1,965	-12%	316	18%	

Changes in external revenue (by segment analysis)



Changes in profit before impairment loss on bond securities (by segment analysis)



Hong Kong TV Broadcasting (62% of revenue)

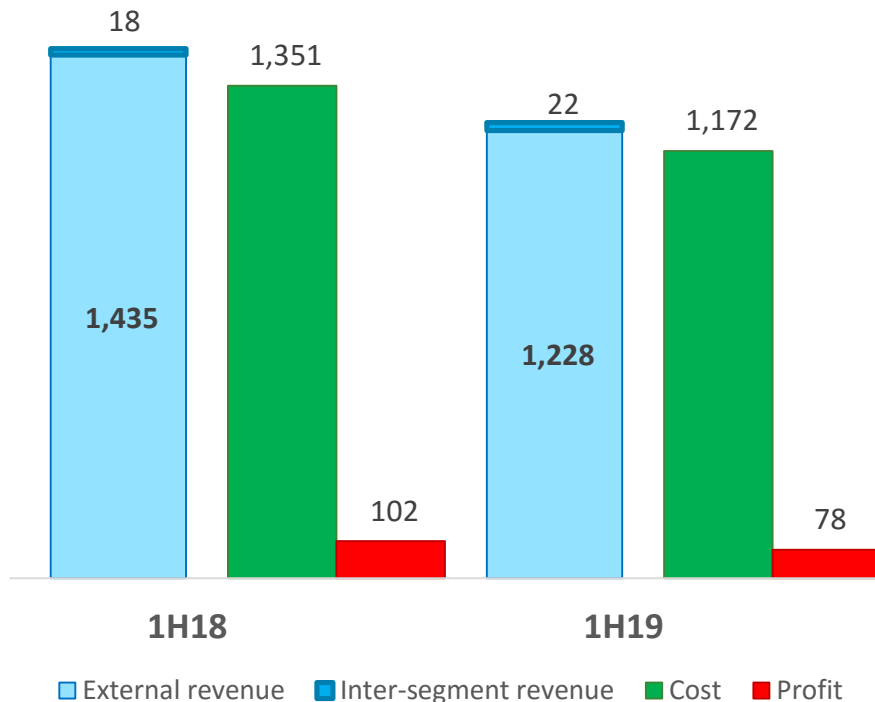
Product placement is set to grow



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



- External revenue dropped by 14% or HK\$207m to HK\$1,228m, mainly due to:
 - Absence of co-production income from China's online platforms (1H18: HK\$194m)
 - Income from advertisers dropped by HK\$15m or 1% to HK\$1,136m
- Cost decreased by 13% or HK\$179m, due to absence of cost of co-production dramas and increased use of acquired dramas
- Profit margin of 6% (1H18: 7%)
- Future developments:
 - ✓ Will increase product placements in programmes
 - ✓ Secured commitments on four co-production projects: Two will go into production in 2H19, while the rest will begin in 2020.

myTV SUPER (12% of revenue)

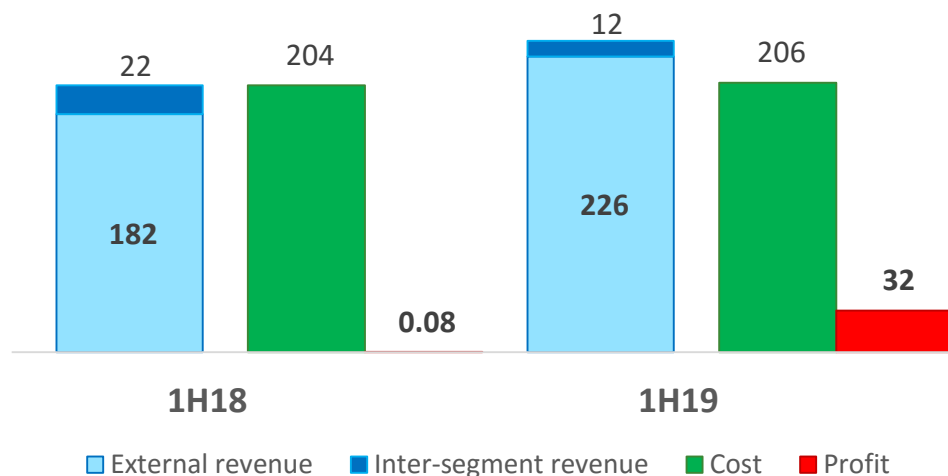


Increased consumption translated into promising growth in revenue

Business model: Combination of advertising and subscription model. Bundling arrangements with trusted network partners continued. Use Data Management Platform (DMP) to distribute targeted ad, work with Google on addressable advertising solution to enhance monetisation.

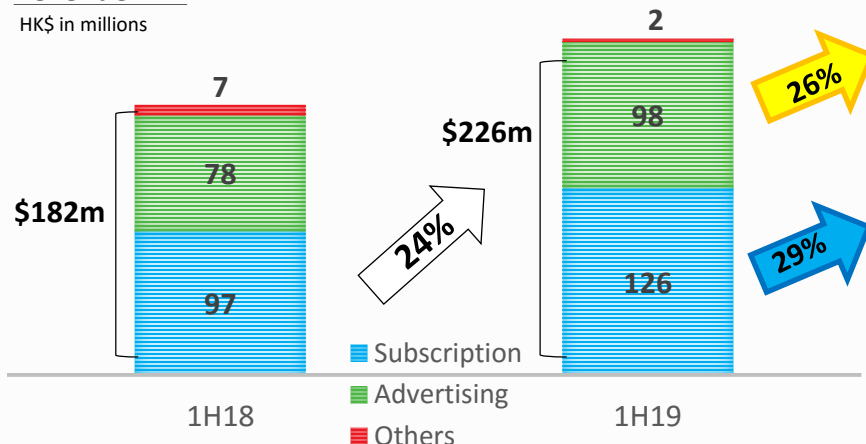
myTV SUPER

HK\$ in millions



Revenue Mix

HK\$ in millions

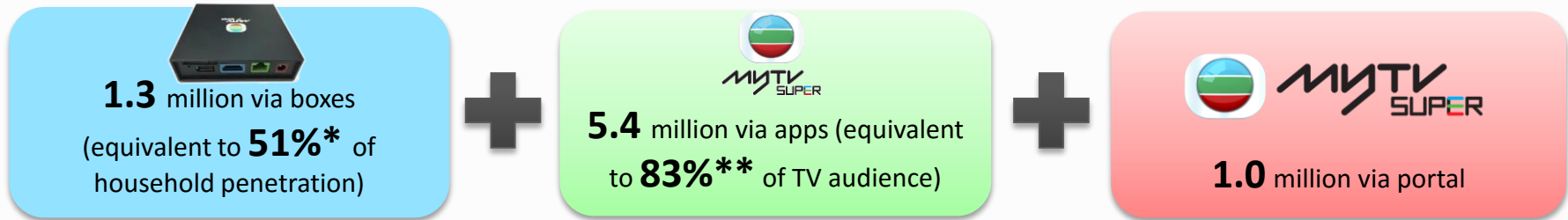


- External revenue up by 24% to HK\$226m
 - Promising growth in advertising income (26% yoy) and subscription income (29% yoy)
- Profit improved to HK\$32 million, 13% profit margin
- Subscription: Launched myTV Gold at competitive price to convert traditional pay TV subscribers to our platform
- Targeted ads: Enhanced our digital and data-driven capabilities and increasing emphasis on measurement, attribution and analytics.
- Future developments:
 - ✓ Grow our STB penetration further
 - ✓ Unlock the ad-spend potential of SMEs with TVB's digital advertising solutions

myTV Gold offering premium sports, movies, documentaries at a highly competitive price, **converting traditional pay TV subscribers to TVB's OTT platform**



As of 30 June 2019, registered users exceeded 7.7 million. Weekly consumption reached 20.7 million hours, equivalent to 16.5 hours weekly time spent per USV. All-day-all-time rating 1.88 TVRs, prime time 3.22 TVRs.



myTV Gold

New service tier offering 55 channels and more than 68,000 hours of VODs, priced at only HK\$148 per month

\$148

睇晒



*Based on total number of TV households of 2,508,000 in 2019, according to Office of the Communication Authority and CSM Media

**Based on total number of TV audience of 6,546,000 in 2019, according to Office of the Communication Authority and CSM Media Research

Big Big Channel Business: Monetise both online and offline

Focus on events management, social media advertising and e-commerce



Big Big Channel: 13.2 million followers, focus on content-based advertising via self-produced short videos.

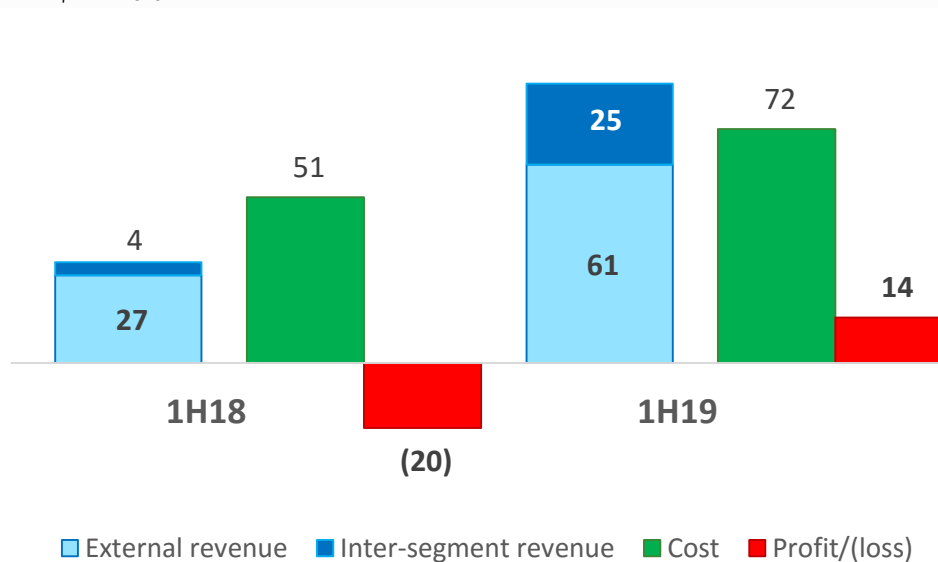
Big Big Shop: Earns commission income, adopting a “showing on TV, selling in e-shop” model by marketing advertiser-sponsored products on TVB’s prime time shows and execute sales on Big Big Shop

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



- Events management, e-commerce, social media advertising and music streaming businesses contributed to topline growth
- Segment turned around, delivered a HK\$14m profit, 16% profit margin
- Future developments:
 - ✓ Expand client base of Big Big Shop and further exploit e-commerce potential for Hong Kong and Greater Bay area
 - ✓ With Circle K becoming our fulfilment service partner, we are ready to scale up our business

Programme Licensing and Distribution (19% of revenue)

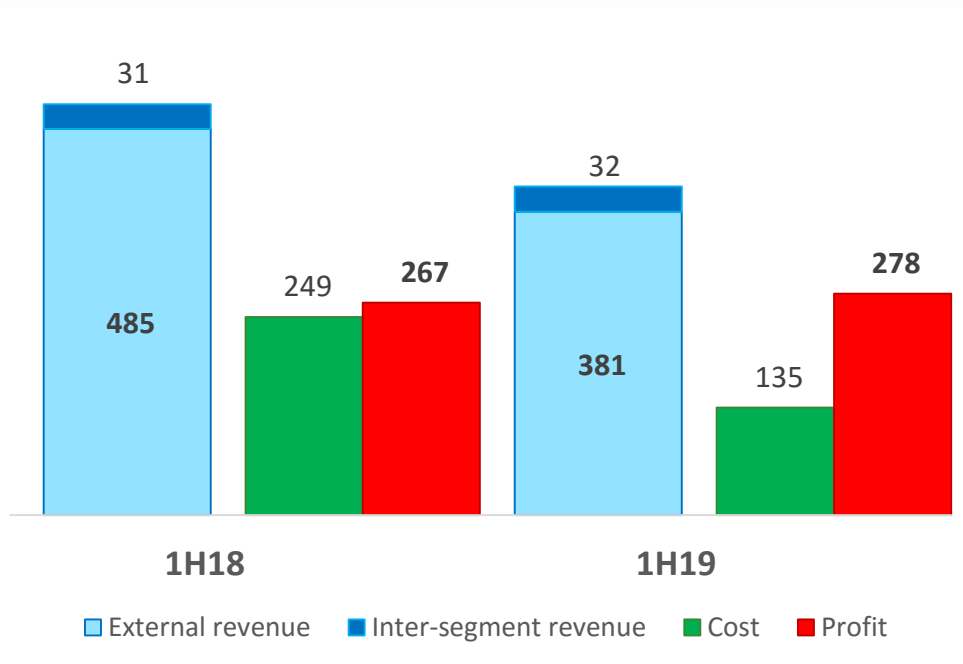
Cost reduction to sustain profitability



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

Programme Licensing and Distribution

HK\$ in millions



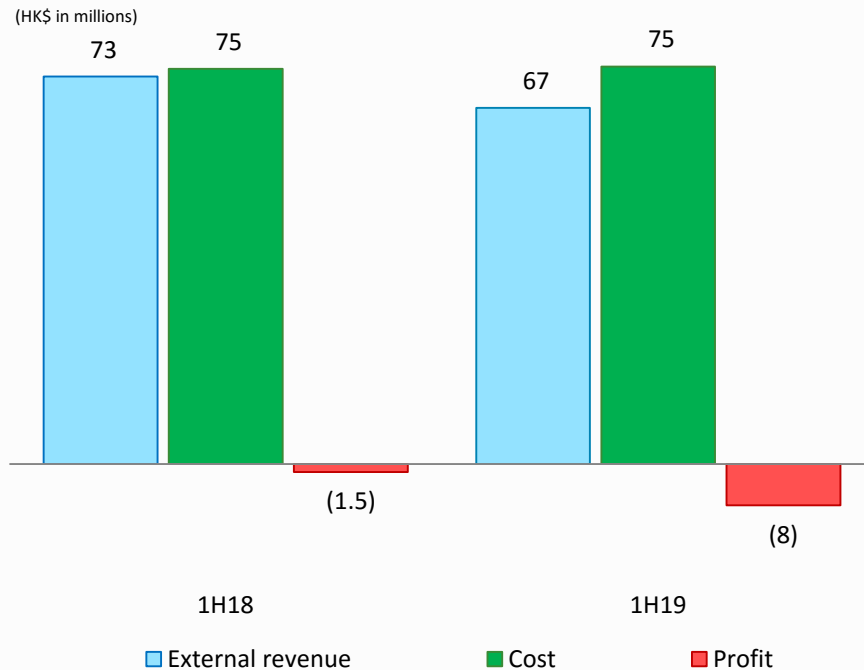
- External revenue decreased by 21% or HK\$104m
 - Lower traditional licensing revenue from Singapore (HK\$86m) as a result of new supply contract
 - Higher new media licensing revenue from Mainland China
 - Police drama The Defected was licensed to Netflix
- **Costs had been cut by 46% or HK\$114m**
- Profit margin improved to 67% (1H18: 52%)
- 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)

Overseas Pay TV and TVB Anywhere: 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, USA, Taiwan and Malaysia. 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



- External revenue decreased 8% or HK\$6m
 - Subscriber base continued to grow but the change in business model in Australia operation resulted in lower income
- Future developments:
 - ✓ Extend our service coverage from Chinese speaking audience residing overseas to mainstream audience in key markets in Southeast Asia by working with more local OTT operators and telcos
 - ✓ In discussion with DISH on contract renewal, migrating from predominantly pay TV subscription to a mix of pay TV, OTT and advertising revenues

Further solidify TVB's media power from terrestrial to online

Enhanced monetisation via product placement, social media advertising and e-commerce



Come Home Love: Lo and Behold (weekday sitcom), with an extended cast and popular guest appearance, TV ratings increased to **27.8 TVRs** in 1H19. This popular sitcom offers monetisation opportunities in many ways.

Title Sponsorship on Terrestrial



Tailor-made Spin off Programme



Reverse Product Placement



Product Sponsorship on Terrestrial TV



Social Media Advertising



E-commerce



Sponsored products are naturally integrated in the setting and storyline



Big Big Channel carrying clients' banner. Content-based advertising placed on major social media sites

Showing on TV, Selling in Big Big Shop

“Showing on TV, Selling in Big Big Shop”

Stimulate consumer's impulse to buy through showing products on terrestrial TV



東張西望

Example 1: Scoop (A daily infotainment programme) featuring the latest happenings



Circle K (300+ stores in HK) as our fulfilment partner



Example 2: A popular cooking programme, “Good Cheap Eats”



International Distribution: Diversifying from limited-reach traditional B2B licensing to OTT distribution (telco-supported B2B2C, B2C)



B2B licensing business

StarHub (Singapore)
MEASAT (Malaysia)
Saigontourist (Vietnam)
Fairchild (Canada)
Youku, cable & online operators
(Mainland China)

- 1H19: Programme supply contacts renewed in Singapore at reduced rates. Licensing income to online video platforms in Mainland China increased.
- Future plans: Diversify to B2B2C, B2C models via OTT distribution.

Telco-supported B2B2C

CTM (Macau)
StarHub, MyRepublic, M1
(Singapore)
M.V. TV (Thailand)
Vietnamobile (Vietnam)



- 1H19: Launched TVB Anywhere + App, offering multi-languages, multi-screen experience
- Future plans: Further extend service coverage from Chinese-speaking audience residing overseas to mainstream audience in selected markets by offering foreign language sound track. Foresee new distribution partnership in Indonesia and Malaysia.

B2C

North America
Europe
Australia
New Zealand
Rest of the world

- 1H19: Changed business model to revenue sharing in Australia with local distributors taking up the sales.
- Future plans: Our agreement with DISH in USA will expire in November 2019, we are in discussion with DISH. Revenue stream will be migrating to a mix of pay TV and OTT revenues.



Income from the Group's Hong Kong businesses (particularly conventional and new media advertising) might be adversely affected by the turbulent domestic markets, caused by the current local political unrest, and uncertainties associated with the trade dispute between China and the USA. The Company is endeavouring to mitigate impact by widening advertising client base, aggressive business development in the Mainland and overseas countries, and continuing enhancement of cost efficiencies.

