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LC Paper No. CB(1)2247/11-12(01)  
(English version only)

Your ref.: CB1/PL/ITB

25 June 2012

Ms Yue Tin-po  
Clerk to Panel on Information Technology and Broadcasting  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Ms Yue

**Panel on Information Technology and Broadcasting Meeting on 11 June 2012**  
**("Panel Meeting")**

I refer to the recent Panel Meeting discussion on applications for domestic free television programme service license (the "Licensing Issues").

As you will recall, before the Panel Meeting I wrote to you explaining that given TVB's solicitors have already been working on the Licensing Issues, TVB would not participate in the Panel Meeting at this juncture.

However, it has come to TVB's attention that a paper submitted by City Telecom (H.K.) Limited ("CTI") (LC Paper No. CB(1)2133/11-12(01) ("CTI's Paper" copy attached as **Annex 1**) at the Panel Meeting provides figures relating to advertising revenues of the incumbent free-to-air TV operators which appear to TVB to be astonishingly and unusually high. TVB's position is that the figures submitted by CTI are not correct and may significantly mislead the Administration and the general public on the actual market condition of local free-to-air television if left uncorrected.

As I seek to explain in this letter, TVB believes that the figures contained in CTI's Paper must not be accepted by the Legislative Council without further scrutiny and examination. TVB accordingly urges the Honourable members of the Legislative

Council to examine CTI's submissions from a critical perspective.

I should be very grateful if you could kindly forward a copy of this letter to the Honourable members of the Panel on Information Technology and Broadcasting for their consideration.

CTI's figures on the advertising market misleading

- 1 CTI's position on the Licensing Issues, as explained in its paper, is that the Hong Kong advertising market is capable of sustaining more free-to-air television operators. In order to support its stance, CTI sought to rely on figures contained in a table on "Advertising Spending Growth - by Medium" (which data appears to be sourced from admanGo<sup>1</sup>) in its paper, showing that the total advertising spending on free-to-air television for 2002 and 2011 was HK\$ 12.843 billion and HK\$18.241 billion respectively.
- 2 TVB's position is that the figures contained in CTI's Paper as summarised in the preceding paragraph are hopelessly unrealistic and wrong.
- 3 As a listed company, TVB has its accounts audited by accountants and its accounts figures are within the public domain being incorporated within its annual reports on a yearly basis. According to TVB's annual reports for 2002 and 2011 (of which relevant pages are enclosed in **Annex 2**), TVB's advertising revenues for these two years were only HK\$1.783 billion and HK\$2.837 billion respectively.
- 4 If the figures quoted in CTI's Paper in respect of free-to-air television advertising revenues were correct (which is patently not the case), then the distribution of advertising revenues between TVB and ATV would be as follows:

Distribution of alleged advertising revenue between TVB and ATV  
based on CTI's Paper (HK\$ billion))

	<u>2002</u>	<u>2011</u>
TVB	1.783	2.837
ATV	<u>11.060</u>	<u>15.404</u>
Total:	12.843	18.241

- 5 The figures adopted by CTI in its paper therefore suggest that ATV has been

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<sup>1</sup> admanGo is an organization providing competitive advertising and advertisement monitoring service.  
HOK-#5061382-v1

generating advertising revenue (by selling airtime) of five to six times that of TVB over the past 9 years!

- 6 While we do not have access to the official accounts of ATV (given that it is not a listed company), the conclusions drawn from CTI's Paper in this respect is surprising and, I would say with respect, is an attack upon the common sense and perception of the Hong Kong people. It is public and common knowledge that TVB has viewing figures well in excess of those of ATV<sup>2</sup>. It is further public and common knowledge that TVB's advertising revenues are well in excess of those of ATV.
- 7 Further, according to the investment plans of TVB and ATV for 2004 to 2009 and 2010 to 2015 (which are particularised at the end of this paragraph) submitted to and approved by the former Broadcasting Authority, the programming investment of TVB has been consistently and substantially larger than that of ATV by around 2.6 times. TVB therefore submits that it is quite commercially impossible for ATV's advertising revenue to be five to six times more than that of TVB, as suggested in CTI's Paper.

Programming investment (HK\$ billion)

	<u>2004 - 2009</u>	<u>2010 - 2015</u>
TVB	6.548	5.603
ATV	2.488	2.160

- 8 TVB accordingly believes and takes this opportunity to highlight that the figures in CTI's Paper are grossly distorted or just plainly wrong and fail to reflect the actual condition of the market.
- 9 At best, I would anticipate that the reason for this might be because the survey and research done by admanGo perhaps adopts the broadcasters' "rack advertising rates" multiplied by advertising spots rather than the actual fees billed and paid in calculating their respective advertising revenue generated. However, it is standard practice and common knowledge that the rack rates are rarely used and discounts and rebates are given to advertising customers as a norm. TVB believes that in presenting these figures to the Legislative Council, CTI was obliged to have brought this methodology and its flaws to the attention of the panel members on its own initiative.

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<sup>2</sup> See for example SCMP article dated 8 March 2011 "TVB has about 5.7 million viewers or just over 90 per cent of the city's 6 million people who watch television".

CTI provided the Legislative Council with wrong figures regarding TVB's revenues

- 10 In Annexure B of its paper, CTI highlighted that the TVB's advertising revenues from terrestrial television broadcasting were HK\$2.192 billion in 2002 and HK\$3.404 billion in 2011 respectively. The figures highlighted by CTI, however, include advertising revenue that TVB generated through its satellite and IPTV channels operated in overseas markets. These figures are therefore naturally much higher than the actual revenues generated by TVB from its local free-to-air television broadcasting, which TVB submits, are the only figures that the panel should consider in relation to the Licensing Issues.
- 11 In attaching excerpts from TVB's annual reports to its paper, it is reasonable to assume that CTI should have studied the figures in our reports (including our local advertising revenue from the segmental results - please see **Annex 2**) and was therefore well aware that the advertising revenue in the local free-to-air television market was not as high as that suggested by admanGo.
- 12 TVB notes with disappointment that CTI has failed to present the full picture of the local advertising market to the legislature and explain how the figures contained in its paper were calculated by admanGo. TVB also condemns, in strongest possible terms, this unfair practice of manipulating a competitor's published accounts for one's own commercial interest. In the circumstances, TVB urges the Honourable members of the panel not to accept CTI's submissions and CTI's Paper on its face value without further critical examination taking into the account amongst other matters, the points outlined in this letter.

Provision of Misleading Trend of Advertising Growth

- 13 In its paper, CTI chose year 2002 as the starting point to illustrate that there has been a growing trend in advertising spending on free-to-air television over the past few years. However, what CTI has failed to reveal in its paper are that:
  - (a) Year 2002 is a special year in which the Asian financial crisis and the burst of the IT boom were still badly hurting the local economy, resulting in a comparatively low figure of advertising spending in that particular year.
  - (b) The local free-to-air television advertising revenue has dropped significantly from year 1996 to year 2002, as illustrated by the snapshot figures below:

	<u>1996</u> (HK\$ billion)	<u>2002</u> (HK\$ billion)	<u>2011</u> (HK\$ billion)
TVB	2.071	1.783	2.837
Industry Total*	2.926	2.183	2.937

*\* best estimates for the total advertising revenue of TVB and ATV*

- (c) The financial crisis in 2008 hit the local advertising revenue of TVB and ATV very hard in year 2009.
- (d) Despite the recovery of the local economy after year 2009, the total advertising revenue of the local free-to-air television industry in 2011 never fully recovered its loss and bounced back to the same level as in year 1996. Indeed, there has been a contraction of advertising spending on free-to-air television over the past 15 years in Hong Kong if inflation is factored in.
- 14 In addition, in its paper CTI attempted to highlight that there has been growth in advertising revenue of TVB over the past years. However, CTI failed to disclose the important fact that, over the same period of time, ATV has suffered from a corresponding drop in advertising revenue and consequently there has been virtually zero growth in the local free-to-air television advertising market.

Undue pressure

- 15 The purposes stated for CTI's Paper include to "Comment on the unreasonable and inexplicable delay in the final determination of the Applications by the Government" and "Urge the Government to commit to a clear time line for the final determination of the Applications". However, TVB takes the view that CTI under CTI's Paper is inadvertently placing undue pressure and interference on the independent evaluation of the sustainability and potential of the free to air market and the decision of the Chief Executive in Council to issue new free to air licences.
- 16 This is evident in particular from CTI's Paper under the section "CTI is Ready". CTI refers in this section to its new investment in a world class Multimedia Centre with 12 studios and state of art facilities. It further refers to recruitment

of 420 production crew and talent artistes since 2011. Leaving aside the veracity of these claims, TVB would highlight that such investments and preparations are entirely at CTI's own risk. The Chief Executive in Council has yet to make a decision with respect to the former Broadcasting Authority's recommendations in principle and it is incorrect for CTI to expect the Chief Executive in Council to act as a "rubber stamp" or to be pressured into granting a licence on the basis of CTI's own imprudent and high risk decision to make substantial investments in advance of actually being granted a licence. This is an extraneous/irrelevant factor which the CE in C should not have regard to in considering whether or not to endorse the BA's recommendations.

*The regulator could have readily verified and corrected the figures*

17 Pursuant to their respective licences (condition 25.2), both TVB and ATV have been providing the former Broadcasting Authority (now replaced by the Communications Authority) with their audited accounts on an annual basis and were also subject to continual monitoring by the same. The Communications Authority was therefore fully aware of the advertising revenue generated by TVB and ATV and status of the free-to-air market. The Panel Meeting was attended by representatives from the Commerce and Economic Development Bureau (which works closely with the Communications Authority). It is very unfortunate that the patently flawed and erroneous submissions and figures put forward by CTI in CTI's Paper were not corrected at the Panel Meeting. TVB would voice very serious concerns that the Chief Executive in Council may innocently make an erroneous decision on the Licensing Issues based on misleading or incomplete information received.

Yours sincerely

For and on behalf of

Television Broadcasts Limited



Mark P.O. Lee

Executive Director and Group General Manager

Encls.

For Information

立法會 CB(1)2133/11-12(01)號文件  
LC Paper No. CB(1)2133/11-12(01)

7 June 2012

**City Telecom (H.K.) Limited ("CTI")**

**Paper on Applications for Domestic Free Television Programme Service Licence**

**Agenda VI for Meeting on Monday, 11 June 2012, at 2:30pm in Conference Room 1 of the Legislative Council Complex (the "Meeting")**

This paper is prepared in response to the Legislative Council's invitation of 1 June 2012 for CTI to provide written information to the Panel on Information Technology and Broadcasting (the "**Panel**") in relation to the Applications (the "**Applications**") for Domestic Free Television Programme Service Licence ("**Free TVLicence**") scheduled as Agenda VI for the Meeting.

**Purposes**

The purposes of this paper are to:

1. Comment on the unreasonable and inexplicable delay in the final determination of the Applications by the Government.
2. Comment on some of the common arguments against granting further Free TV Licences.
3. Update the Panel on CTI's readiness to provide more competition to the incumbents and to provide more choice to the public
4. Urge the Government to commit to a clear time line for the final determination of the Applications.

**A. Unreasonable and Inexplicable Delay**

We set out below a chronology of key events in relation to the Applications.

<u>Date</u>	<u>Event</u>
31 December 2009	Submission of CTI's Application for a Licence to the then Broadcasting Authority (" <b>BA</b> ")
15 January 2010	Submission of Fantastic Television Limited's Application for a Licence to the BA
31 March 2010	Submission of HK Television Entertainment Company Limited's Application for a Licence to the BA
9 July 2010	BA's published notice for interested members of the public to provide comments on the Applications
23 May 2011	Newspaper reports that the BA made a recommendation to the Chief Executive in Council (the " <b>CE in Council</b> ") to approve the Applications (the " <b>BA's Recommendations</b> ")

10 February 2012	Application by Asia Television Limited (" <b>ATV</b> ") for leave to apply for Judicial Review (the " <b>JR Application</b> ")
6 March 2012	Decision by the Honourable Mr Justice Lam dismissing ATV's JR Application

It has been almost 30 months since the submission of the Application by CTI and over 12 months since the BA's Recommendations. The delay is unreasonable, both from the perspective of the public and the perspective of the commercial operators.

As stated by Mr Donald Tsang Yam-kuen during an interview on the Commercial Radio Channel 1 programme on 26 February 2012, the CE in Council usually accepts the then Broadcasting Authority's recommendations except in special circumstances. We are not aware of, nor has the Government articulated, the existence of any special circumstances for the BA's Recommendations not to be followed.

It is in the public interest that the Applications be granted, and we urge the CE in Council to make a final determination of the Applications without any further delay.

## **B. Commonly Raised Arguments against the Grant of Licence**

We address below some of the common arguments against the grant of further Free TV Licences.

### (1) Sustainability of the Applicants in the Market

We are aware that the sustainability of the Applicants in the free TV market has been called into question, given that there are already two incumbents, the duopoly of Television Broadcasts Limited ("**TVB**") and ATV, in the market.

It is alleged that advertising revenues simply could not support more than two Free TV Licensees and new entrants may have the potentially adverse effect of significantly negatively impacting, and perhaps even eliminating, the incumbents. It is also alleged that free TV advertising sales have experienced little to no real growth in the past decade.

We respectfully disagree with these unsubstantiated claims. We attach herewith at **Annexure A** a set of graphs setting out the 2002 to 2011 growth figures of advertising spending across various media sectors in Hong Kong, including the more contemporary platform such as Pay TV, and the more traditional platforms of free television, newspaper and magazine (figures taken from admanGo). As may be readily ascertained from the table below, with the exception of free TV, all of these other media platforms have witnessed exponential growths in advertising spending despite fierce competition brought by the entry of new players: for example, in pay TV, the number of players rose from 1 to 2, with advertising spending mushrooming by a staggering 1,463%; in magazine, the number of players rose from 57 to 153, while advertising spending rose by an impressive 146%; and when everybody was predicting the closure of newspapers with the entry of free newspapers, the number of players rose from 13 to 19, while advertising spending enjoyed a cumulative growth of 162%.



Table : Advertising Spending Growth - by Medium

	2002		2011		Cumulative growth (2002-2011)	Compound Annual Growth Rate (CAGR)
	No. of players	Advertising Spending (HKD in million)	No. of players	Advertising Spending (HKD in million)		
<b>Free TV</b>	2	12,843	2	18,241	<b>41%</b>	4%
<b>Paid TV</b>	1	853	2*	13,237	<b>1463%</b>	36%
<b>Newspaper</b>	13	11,186	19	29,269	<b>162%</b>	11%
<b>Magazine</b>	57	5,564	153	13,670	<b>146%</b>	11%
<b>Radio</b>	3	692	3	3,440	<b>399%</b>	20%

\*Included Now TV and Cable TV

Source: admanGo (monitored figures with listed price)

We also note from media reports that, one of the incumbents, TVB, is reported to have claimed on 17 May 2012 that there has been no real growth in advertising revenues from free-to-air TV for the past 15 years. TVB's own annual reports do not support this claim. According to TVB's annual returns relating to the financial years 2002 to 2011, TVB's advertising revenue from terrestrial television broadcasting increased by approximately 55%. We attach herewith for reference at **Annexure B** copies of the relevant section of the said annual reports.

The only conclusion which can be drawn from the above is that competition will NOT kill the incumbents. It is the complacency of the incumbents in the free TV sector which is responsible for the relatively less impressive growth in advertising spending in that sector. The free TV sector can benefit from more competition.

Turning to the specific case of CTI, we welcome competition and have a track record of successfully challenging the dominant market player(s) in a particular sector while sustaining its operations in a commercially viable manner. CTI's first two large scale and long term innovations since its establishment include its IDD business started during the 1990's, which it believes dramatically brought down the cost of making IDD calls from Hong Kong for the benefit of the general public, and its fixed telecommunication network services introduced in the last 12 years, which deliver affordable fixed telephony and high speed broadband internet access to the general public. The public has benefited from lower prices and more choices in each case.

## (2) Assumption of Government Allowing Only 2 Licensees

We understand there may be a claim that the incumbents when devising their investment plan for 2010 to 2015 assumed that there would only be two domestic Free TV Licensees in the market up to 2015. There is simply no legal or factual basis for this claim.

The Government stated in the 1998 Review of Television Policy that there would be no limit on the number of domestic free licences to be issued.

Furthermore, pursuant to clause 5 of the respective domestic free television programme service amended licenses dated 29 June 2010 granted to each of TVB and ATV, it is expressly stated that the terms of the licence granted to each incumbent would not in any way abrogate or interfere with any rights, whether exclusive or otherwise, granted under any law or Ordinance to

any person other than the Licensee. The CE in Council's right pursuant to s.10(1) of the Broadcasting Ordinance to exercise its absolute discretion to grant a Free TV License constitutes such right.

CTI submitted its Application on 31 December 2009 and the other two applicants also submitted their applications immediately following CTI. Both incumbents should have been well aware of the fact that there were three new players seeking to enter the free TV market as at the date of the grant of their respective licences in June 2010.

We invite the Panel to call upon the Government to clarify if any representation was made by the Government to either TVB or ATV at or around the time of their respective submissions of their investment plans for 2010 to 2015 that there would be only two domestic free television operators in the market.

We respectfully submit that any such assurance is at the very least morally shocking, since the Government does not have a duty to protect the interests of the incumbent duopoly by maintaining the status quo or limiting entry into the market, but rather has a duty to protect the public interest.

### **C. CTI is Ready**

We are ready to go live and to significantly broaden viewers' choice in terms of variety, quantity and quality of programmes. At launch, we will provide 12 channels.

Additionally, CTI has since February 2012 started building a world class Multimedia Centre with a gross floor area of 500,000 square ft. consisting 12 studios on land granted by Hong Kong Science and Technology Parks Corporation at Tseung Kwan O Industrial Estate. If a Free TV Licence is granted, the free TV operation will benefit from state of the art facilities at the Multimedia Centre.

On the people front, CTI has recruited 420 production crew and talent artistes since 2011 and they all share CTI's enthusiasm and vision to introduce more variety into and improve the quality of the free TV market. They are all ready to go into action, pending the go ahead from the Government.

### **D. Timeline**

The BA's Report on the Public Consultation Exercise for the Mid-Term Review of the Domestic Free Television Programme Service Licences published in 2010, which summarises the views collected in the BA's public consultation exercise, clearly concludes that competition in the free television market is welcomed by the general public and should be encouraged to enhance programme quality and diversity.

We are strongly of the view that the grant of the Applications will enhance the domestic free TV market by encouraging innovation and creativity and boosting Hong Kong's position as a regional broadcasting hub. We respectfully submit that competition should not be seen as a hindrance, but rather a welcome stimulus of the market for the benefit of the general public.

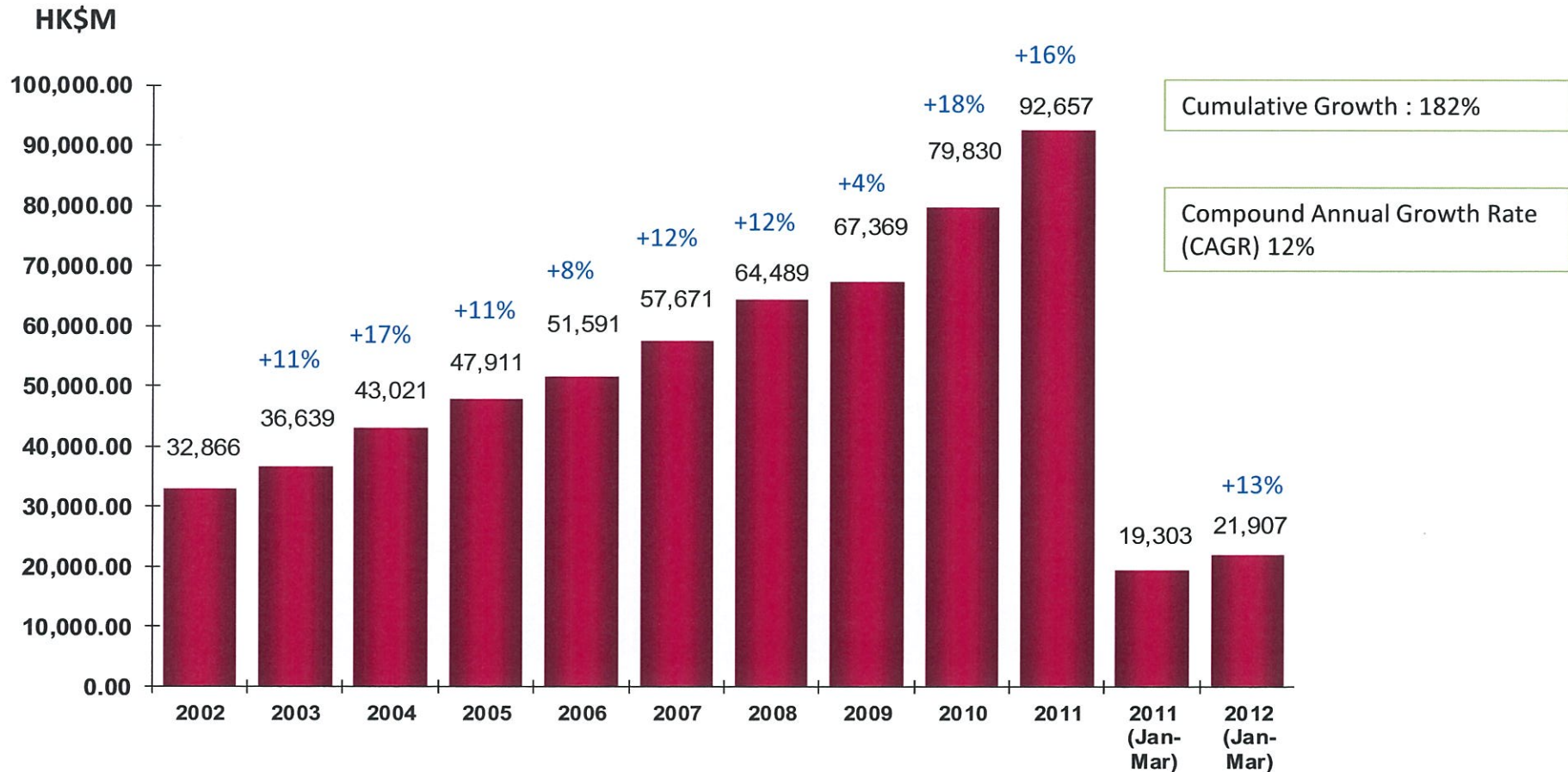
There should not be any further delay. We urge the Government to commit itself to a clear timeline for the final determination of the Applications as soon as possible.

**City Telecom (H.K.) Limited**

**7 June 2012**

# **ANNEXURE A**

# Total Advertising Spending in HK market (2002 -2011)

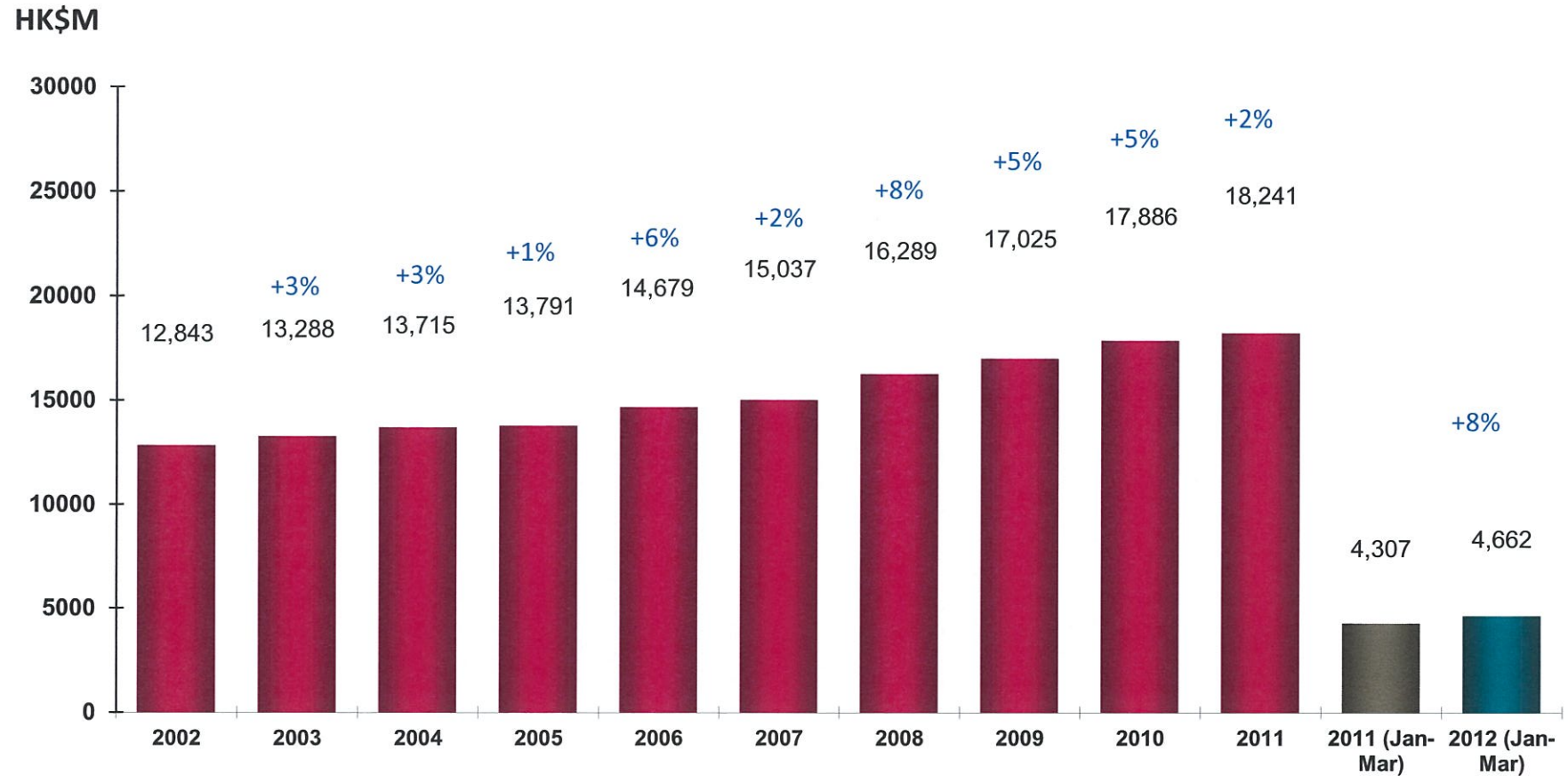


Notes :

1. 2003 onwards included Cable TV spending
2. Online spending included from 2007 onwards
3. Ad spend of HD Jade has been included from Jan 2010
4. Ad spend of J2 and iNews has been included from Jan 2011

Source : admanGo (monitored figures with listed price)

# Advertising Spending - Free TV



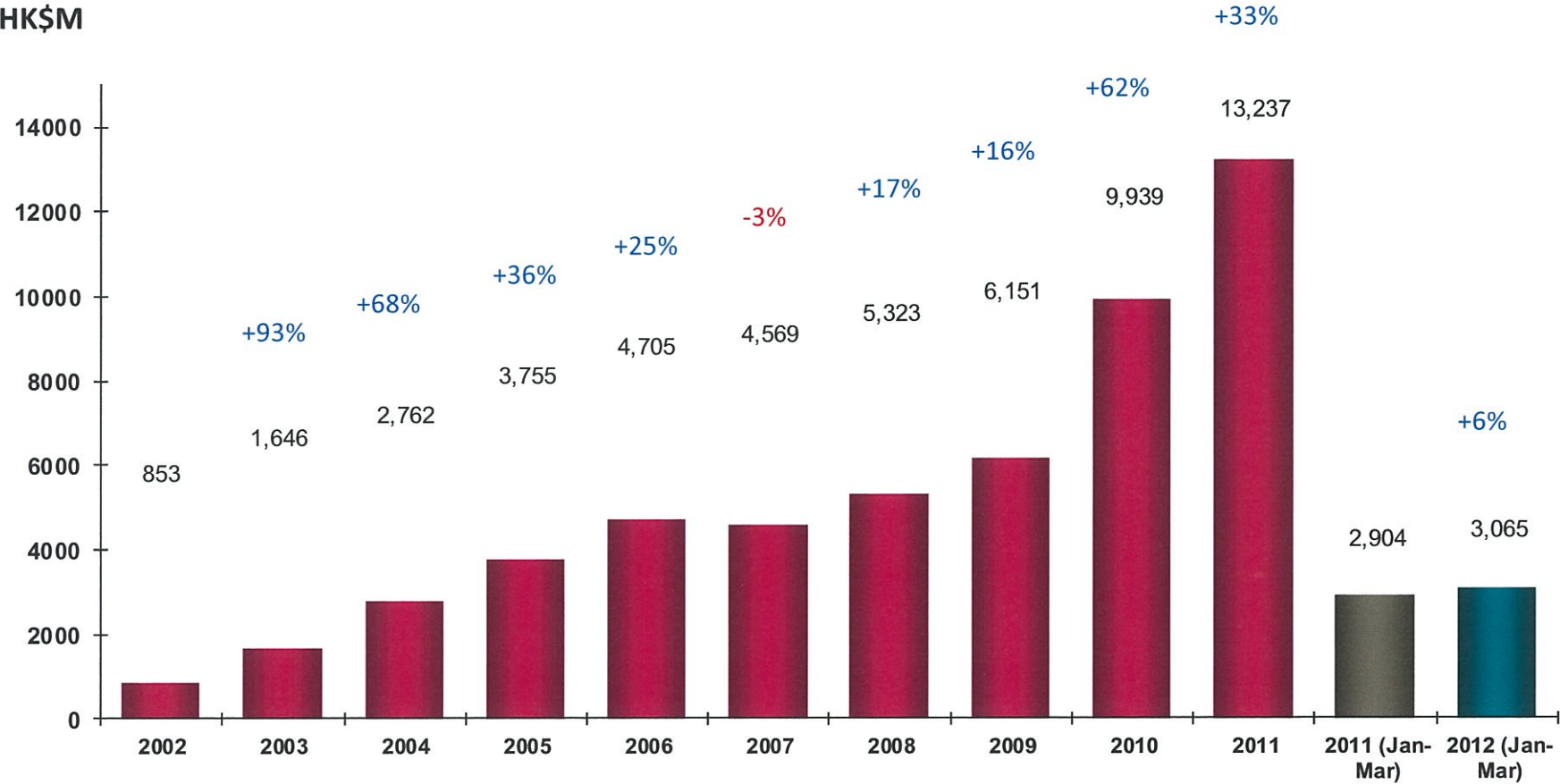
Notes :

1. Ad spend of HD Jade has been included from Jan 2010
2. Ad spend of J2 and iNews has been included from Jan 2011

Source : admanGo (monitored figures with listed price)

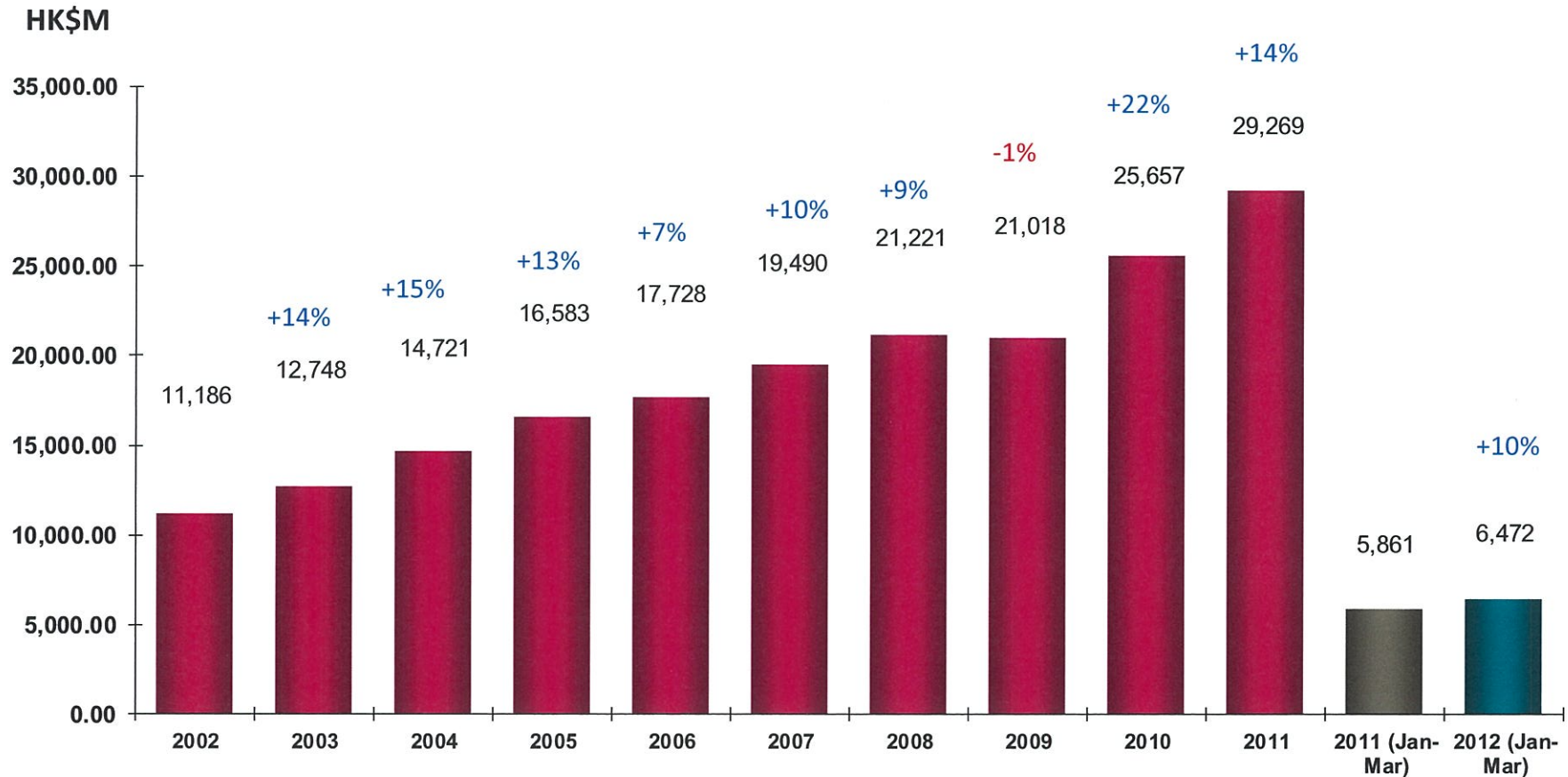
# Advertising Spending - Pay TV

HK\$M



Source : admanGo (monitored figures with listed price)

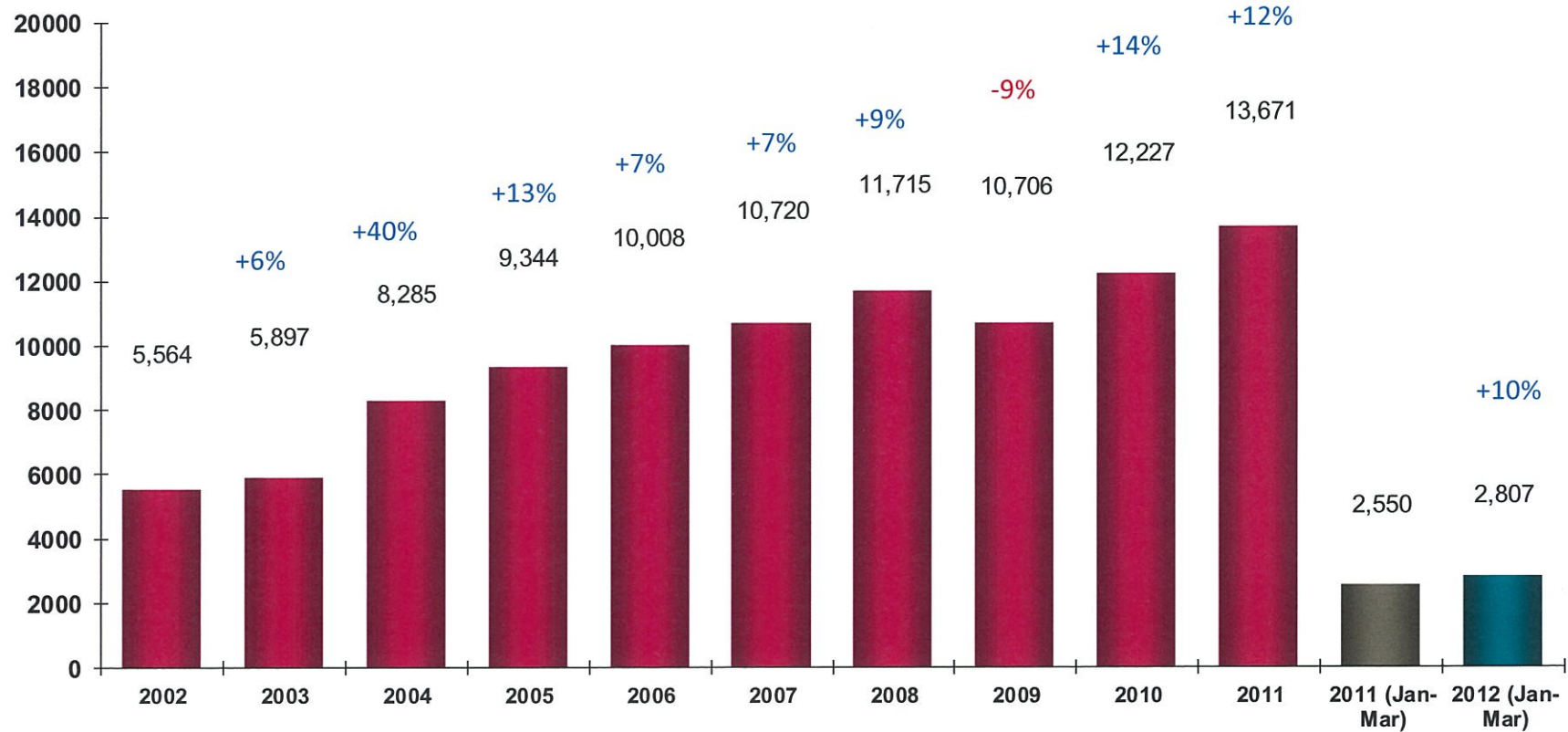
# Advertising Spending - Newspaper



Source : admanGo (monitored figures with listed price)

# Advertising Spending - Magazine

HK\$M

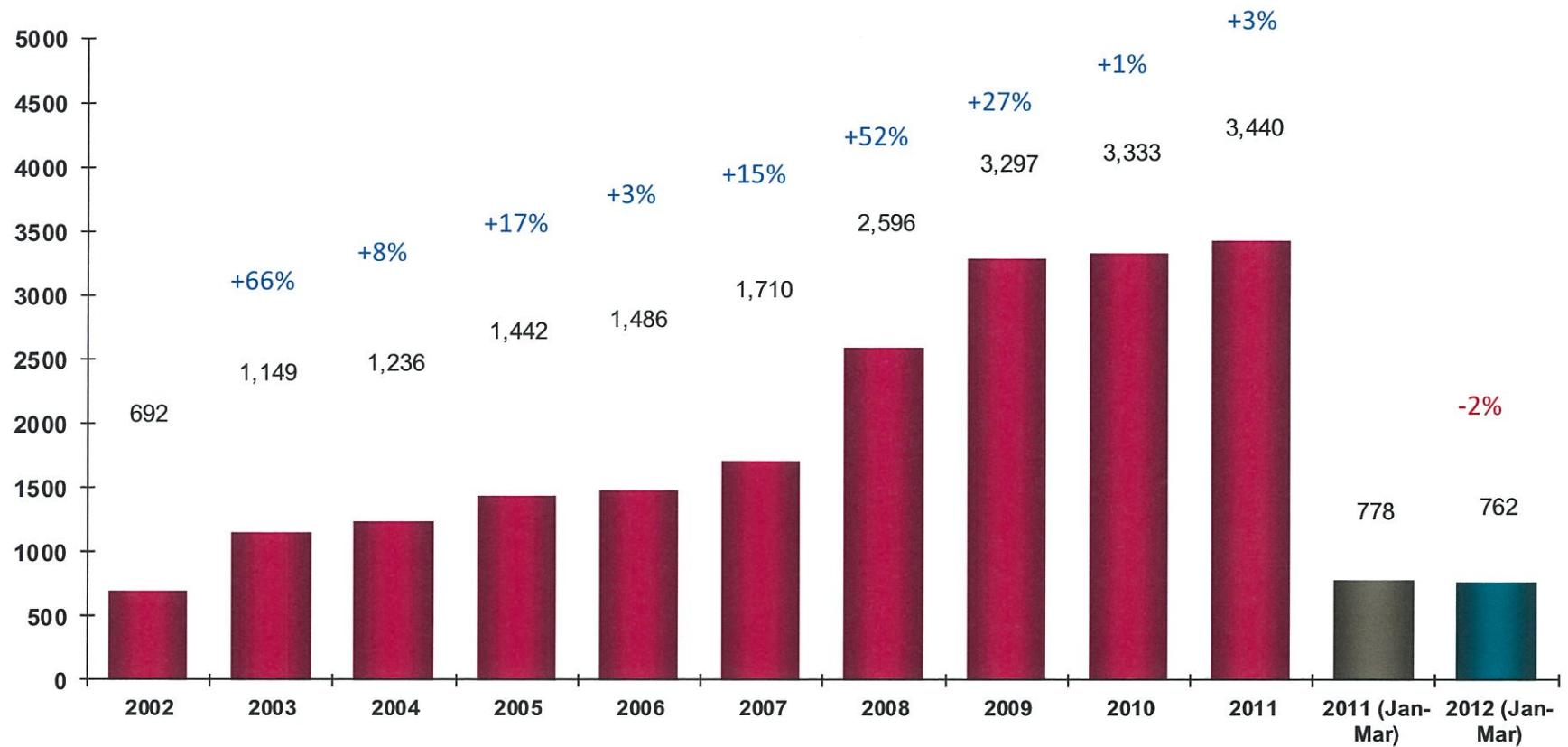


Source : admanGo (monitored figures with listed price)



# Advertising Spending - Radio

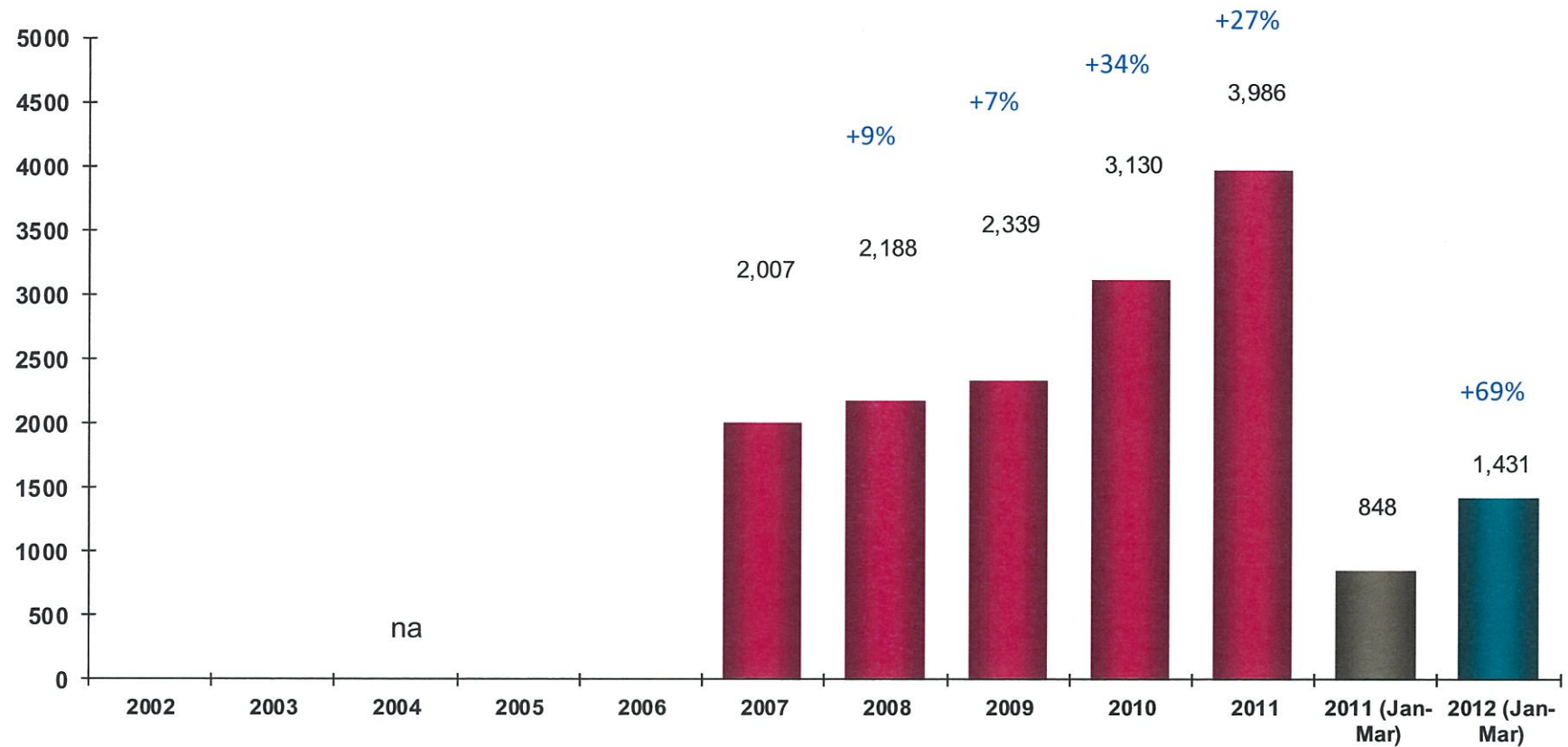
HK\$M



Source : admanGo (monitored figures with listed price)

# Advertising Spending - Online

HK\$M



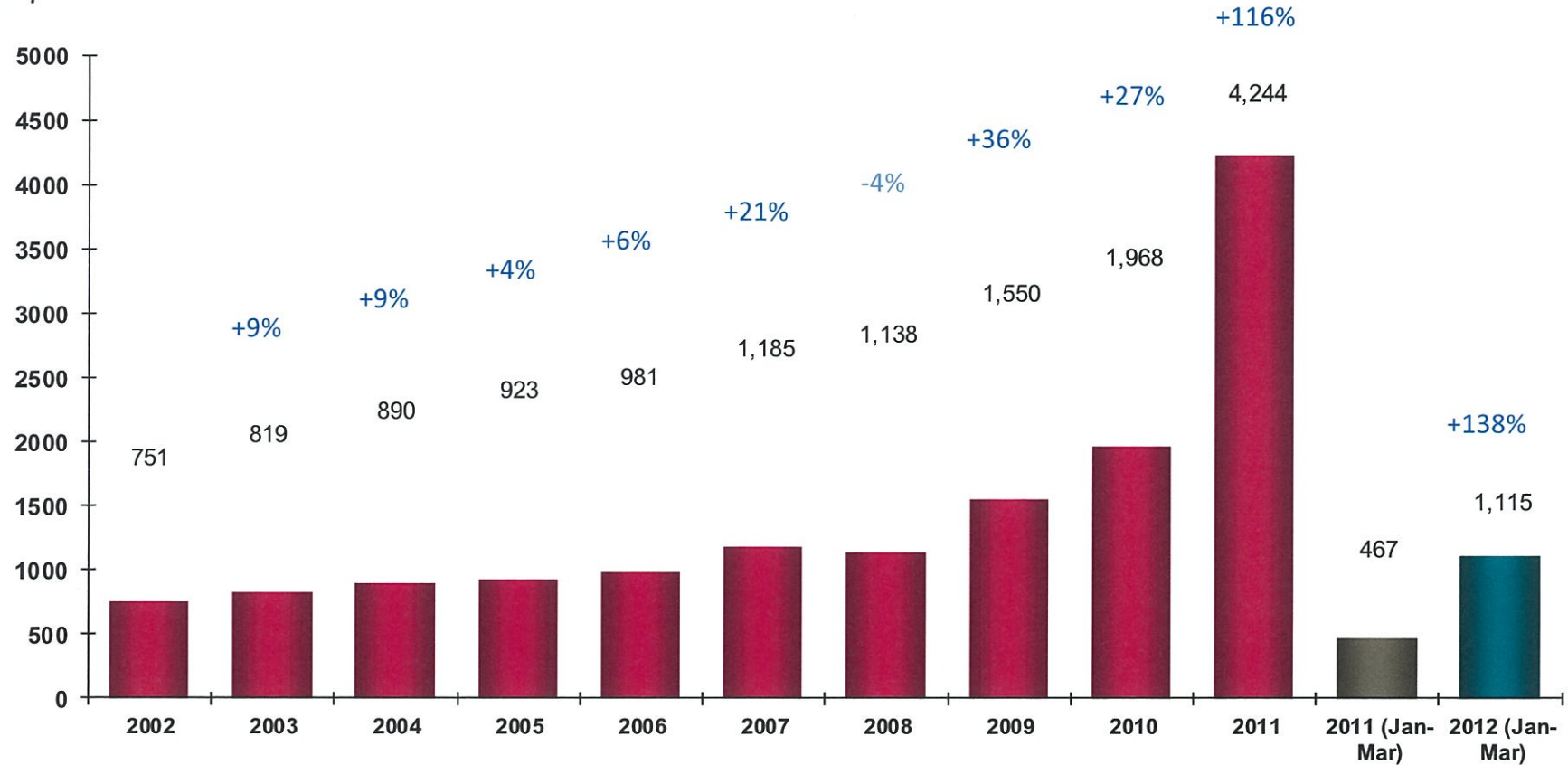
Notes :

1. Online spending included from 2007 onwards

Source : admanGo (monitored figures with listed price)

# Advertising Spending - MTR

HK\$M



Notes :

1. MTR has adjusted Digital Ad Space since May 2011.

Source : admanGo (monitored figures with listed price)

# **ANNEXURE B**

ABOUT US  
公司資料

公司簡介  
TVB Group Corporate Information

董事局/董事委員會  
Board and its Committees

無綫里程碑  
TVB Milestones

新聞稿  
Press Releases

公布  
Announcement

業績公布  
Announcement of Results

中期報告  
Interim Report

周年報告書  
Annual Report

二〇〇一周年報告書  
2001 Annual Report

二〇一〇周年報告書  
2010 Annual Report

二〇〇九周年報告書  
2009 Annual Report

二〇〇八周年報告書  
2008 Annual Report

二〇〇七周年報告書  
2007 Annual Report

二〇〇六周年報告書  
2006 Annual Report

二〇〇五周年報告書  
2005 Annual Report

二〇〇四週年報告書  
2004 Annual Report

二〇〇三週年報告書  
2003 Annual Report

二〇〇二週年報告書  
2002 Annual Report

二〇〇一週年報告書  
2001 Annual Report

二〇〇〇週年報告書  
2000 Annual Report

一九九九週年報告書  
1999 Annual Report

更改董事  
Change in Directorships

股東大會通告  
Notices of General Meetings

股東大會結果  
Results of General Meetings

通函  
Circulars

組織章程文件  
Constitutional Documents

通訊政策  
Communication Policy

個人資料政策  
Privacy Policy

Television Broadcasts Limited(0511) - Annual Report 2002  
電視廣播有限公司(0511) - 二〇〇二年度週年報告

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## NOTES TO THE ACCOUNTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (p) Segment reporting

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of fixed assets, stocks, receivables and operating cash, and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to fixed assets (note 12).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The group is principally engaged in terrestrial television broadcasting with programme production, programme licensing and distribution, overseas satellite pay TV operations, channel operations and other related activities.

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as income from uplink and playback services, video tape rentals, sale of animation productions and sale of magazines.

Other revenues comprise interest income, commercial production income, merchandising income, management fee income, service fee income and facility rental income.

The amount of each significant category of revenue recognised during the year is as follows:

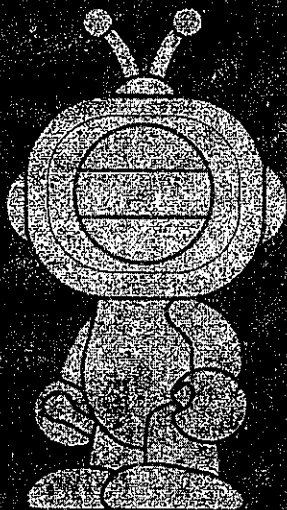
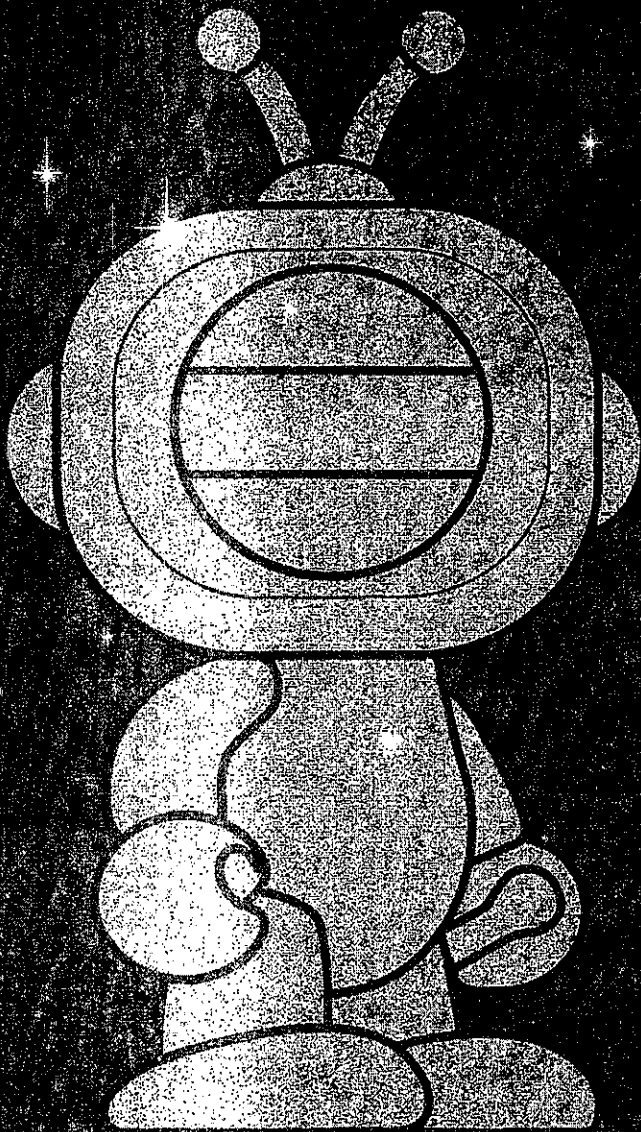
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Advertising income, net of agency deductions	2,192,488	2,460,850
Licensing income	476,884	471,194
Subscription income	382,868	240,087
Others	124,121	109,186
	<b>3,176,361</b>	<b>3,281,317</b>
Less: Withholding tax	<b>(14,499)</b>	<b>(16,687)</b>
	<b>3,161,862</b>	<b>3,264,630</b>
Others revenues		
Interest income	7,786	49,868
Others	33,297	33,305
	<b>41,083</b>	<b>83,173</b>
Total revenues	<b>3,202,945</b>	<b>3,347,803</b>

# TVB 2011

Annual Report

Television Broadcasts Limited  
電視廣播有限公司

2011



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in terrestrial TV broadcasting with programme production, programme licensing and distribution, overseas satellite pay TV operations, Taiwan operations, channel operations and other related activities.

Turnover comprises advertising income net of agency deductions, licensing income, subscription income, as well as other income from sales of decoders, sales of magazines, programmes/commercial production income, management fee income, facility rental income and other service fee income.

Other revenues comprise mainly interest income and others.

The amount of each significant category of revenue recognised during the year is as follows:

	2011 HK\$'000	2010 HK\$'000
Turnover		
Advertising income, net of agency deductions	3,403,988	2,970,742
Licensing income	917,554	891,307
Subscription income	535,134	508,228
Others	426,427	367,496
	<b>5,283,103</b>	<b>4,737,773</b>
Less: Withholding tax	(74,238)	(63,117)
	<b>5,208,865</b>	<b>4,674,656</b>
Other revenues		
Interest income	42,695	17,037
Others	15,179	13,626
	<b>57,874</b>	<b>30,663</b>
	<b>5,266,739</b>	<b>4,705,319</b>





# 城市電訊(香港)有限公司

就本地免費電視節目服務牌照申請的意見

# 目的

- 就政府處理申請時，不合理及難以理解的延誤表達意見
- 就外界部份反對發新牌照的理據表達意見
- 為立法會提供最新資料，顯示城市電訊已準備就緒，增加電視市場競爭並為公眾提供更多服務選擇
- 促請政府就發牌的最終決定訂立時間表

# 免費電視牌照時序

日期	事件
2009年12月31日	城市電訊向廣播事務管理局遞交申請
2010年1月15日	奇妙電視向廣播事務管理局遞交申請
2010年3月31日	香港電視娛樂向廣播事務管理局遞交申請
2010年7月9日	廣播事務管理局邀請公眾人士就三份申請提出意見
2011年5月23日	報章報道指廣播事務管理局已向行政長官會同行政會議建議發出三個免費電視新牌照
2012年2月10日	亞洲電視就發牌事宜向法庭申請司法覆核
2012年3月6日	高等法院法官林文瀚拒絕亞洲電視的司法覆核申請

# 城市電訊的意見

- 距離申請已經超過30個月，而廣播事務管理局向行政長官會同行政會議建議發出三個免費電視新牌照亦已超過12個月
- 行政長官曾蔭權於本年2月26日接受商業電台訪問時表示，除出現特別情況，行政會議一般會接納廣播事務管理局的建議
- 城市電訊認為：
  - 並無特別情況，政府亦沒有表示出現特別情況，影響行政會議考慮有關發牌建議
  - 新牌照涉及公眾利益，敦促行政會議盡快作出最後決定

# 外界部份反對發新牌照的理據

- 新牌照申請者在市場上的持續發展

無綫電視意見：

- 香港市場的廣告收益不足以支持兩家以上的免費電視台；過往十年，免費電視廣告收益並無實質增長

城市電訊意見：

- 由2002年至2011年期間，本港各媒體平台，包括收費電視及傳統的免費電視、報章及雜誌的廣告開支均有增長

# 本港各媒體的廣告開支

- 除免費電視外，各媒體於新加入經營者後，廣告開支仍有明顯增幅

	2002		2011			
	No. of players	Advertising Spending (HKD In million)	No. of players	Advertising Spending (HKD In million)	Cumulative growth (2002-2011)	Compound Annual Growth Rate (CAGR)
<b>Free TV</b>	2	12,843	2	18,241	41%	4%
<b>Paid TV</b>	1	853	2*	13,237	1463%	36%
<b>Newspaper</b>	13	11,186	19	29,269	162%	11%
<b>Magazine</b>	57	5,564	153	13,670	146%	11%
<b>Radio</b>	3	692	3	3,440	399%	20%

## 一・回應有關廣告收益並無增長

- 電視廣播有限公司曾表示，過往15年廣告收入並無增長，維持於約30億港元的水平
- 根據電視廣播有限公司的年報，2002至2011年間，其廣告收入增加約55%

## 二・回應有關新牌照影響投資計劃

城市電訊認為：

- 兩家電視台於訂立2010至2015年的投資計劃時假設只有兩家電視台，並無法律或事實基礎
- 政府於1998年檢討本地免費電視節目服務牌照時，已清楚表示並無發牌數目限制
- 城市電訊於2009年12月31日遞交申請，其餘兩家牌照申請者亦緊隨提出申請，兩家電視台於2010年6月獲續牌時，應已得悉可能有三家新經營者進入市場
- 懇請議員與政府澄清，有否承諾市場上只會有兩家電視台
- 政府並無責任保護兩家電視台的利益，反而應顧及社會大眾的利益



# 城市電訊已準備就緒

- 於開始初期提供12條頻道
- 於本年2月開始，於將軍澳工業村興建樓面面積約500,000平方呎的電視及多媒體製作中心內有12個錄影廠
- 自2011年起籌備，現有420名同事的製作隊伍及藝員；待政府發牌，隨時可全面投入運作

# 結論

- 強烈要求政府盡快審批新牌，鼓勵創作、提升本港免費電視市場，令香港重上亞洲區廣播樞紐的地位
- 競爭不應被視為障礙，反而能刺激市場發展，有利於公眾利益
- 促請政府為發牌訂立時間表

**NOTES TO THE ACCOUNTS** (Continued)**2 TURNOVER, REVENUE AND SEGMENT INFORMATION** (Continued)

## Primary reporting format - business segments

	Terrestrial television broadcasting	Programme licensing and distribution	Overseas satellite pay TV operations	Channel operations	Other activities	Elimination	Group total
	2002	2002	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (note)							
External sales	1,783,203	484,119	189,360	583,976	121,204	-	3,161,862
Inter-segment sales	-	127,210	5,391	15,445	50,294	(198,340)	-
	<b>1,783,203</b>	<b>611,329</b>	<b>194,751</b>	<b>599,421</b>	<b>171,498</b>	<b>(198,340)</b>	<b>3,161,862</b>
Segment results (note)	489,252	327,886	(60,943)	(26,601)	5,112	843	735,549
Finance costs							(21,945)
Share of profits less losses of							
Jointly controlled entities	-	-	-	(23,089)	(5,014)		(28,103)
Associated companies	-	-	-	(1,250)	-		(1,250)
Profit before taxation							684,251
Taxation							(90,064)
Profit after taxation							594,187
Minority interests							(4,269)
Profit attributable to shareholders							<b>589,918</b>
Segment assets	3,036,291	252,140	109,028	573,100	195,001		4,165,560
Investments in jointly controlled entities	-	-	-	61,861	19,018		80,879
Investments in associated companies	-	-	-	25,685	-		25,685
Investments in securities	-	3	-	3,157	1,538		4,698
Loans to investee companies	-	10,887	-	-	-		10,887
Unallocated assets							10,257
Total assets							<b>4,297,966</b>
Segment liabilities	252,708	92,494	87,068	160,125	37,025		629,420
Unallocated liabilities							393,890
Total liabilities							<b>1,023,310</b>
Capital expenditure	608,020	10,336	12,615	20,258	16,365		667,594
Depreciation	62,802	6,115	16,869	54,929	26,396		167,111

Note: The above segments include activities at their initial stage of operations (i.e. not more than five years since commencement of commercial operations) and an analysis of their respective turnover and results is as follows:

Turnover	-	-	118,084	49,424	25,825		193,333
Operating losses	-	-	(54,771)	(61,767)	(6,921)		(123,459)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION (continued)

An analysis of the Group's turnover and results for the year by operating segments is as follows:

	Hong Kong terrestrial TV broadcasting HK\$'000	Programme licensing and distribution HK\$'000	Overseas satellite pay TV operations HK\$'000	Taiwan operations HK\$'000	Channel operations HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Total HK\$'000
For the year ended 31 December 2011								
Turnover								
External customers	2,837,790	768,756	388,178	829,526	234,778	149,837	-	5,208,865
Inter-segment	19,809	133,899	375	4,647	17,011	7,355	(183,096)	-
<b>Total</b>	<b>2,857,599</b>	<b>902,655</b>	<b>388,553</b>	<b>834,173</b>	<b>251,789</b>	<b>157,192</b>	<b>(183,096)</b>	<b>5,208,865</b>
Reportable segment profit excluding impairment loss	1,243,938	598,027	99,886	278,368	45,522	30,184	-	2,295,925
Impairment loss on loan to and trade receivables from an associate	-	-	-	-	(135,000)	-	-	(135,000)
Reportable segment profit/(loss) including impairment loss	1,243,938	598,027	99,886	278,368	(89,478)	30,184	-	2,160,925
Interest income	35,975	2,890	189	1,144	-	2,497	-	42,695
Finance costs	-	-	-	(4,128)	-	-	-	(4,128)
Depreciation and amortisation	(170,414)	(2,594)	(4,373)	(43,604)	(100)	(13,994)	-	(235,079)
Additions to non-current assets*	102,776	2,077	6,972	21,400	28	10,058	-	143,311

\* Non-current assets comprise goodwill, property, plant and equipment, investment properties and land use rights (including prepayment related to capital expenditure if any). The amount of HK\$74,512,000 transferred from prepayment (refer to Note 15(a)) has been excluded since it had already been reported within additions to non-current assets in the year 2010.

For the year ended 31 December 2010								
Turnover								
External customers	2,492,403	646,280	371,542	747,534	314,510	102,387	-	4,674,656
Inter-segment	40,433	138,820	360	5,583	15,987	7,254	(208,437)	-
<b>Total</b>	<b>2,532,836</b>	<b>785,100</b>	<b>371,902</b>	<b>753,117</b>	<b>330,497</b>	<b>109,641</b>	<b>(208,437)</b>	<b>4,674,656</b>
Reportable segment profit excluding impairment loss	1,095,201	535,721	104,152	231,006	83,348	3,286	-	2,052,714
Impairment loss on trade receivables from an associate	-	-	-	-	(140,000)	-	-	(140,000)
Reportable segment profit/(loss) including impairment loss	1,095,201	535,721	104,152	231,006	(56,652)	3,286	-	1,912,714
Interest income	14,120	1,235	145	494	-	1,043	-	17,037
Finance costs	-	-	-	(3,781)	-	-	-	(3,781)
Depreciation	(188,226)	(2,971)	(4,942)	(42,179)	(152)	(9,381)	-	(247,851)
Additions to non-current assets*	59,105	2,573	2,771	15,809	2	88,387	-	168,647

\* Non-current assets comprise goodwill and property, plant and equipment (including prepayment related to capital expenditure if any).