

"Asian Programming: What Asians Want To Watch"

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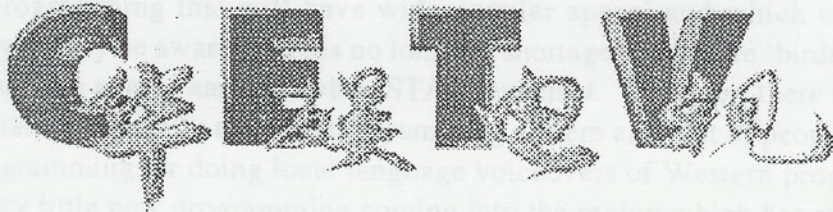
China Entertainment Television Broadcast Ltd.

The 1994 Pan Asia Television Industry Conference
Singapore • September 19-21, 1994

Presented by
Robert Chua
Chairman & CEO

**China Entertainment Television Broadcast Ltd.
(CETV)**

Programming Will Be King At CETV



Programming will be king at CETV. One of our greatest strengths is our ability to create and produce original programming that touches the Chinese pulse. As a result, we have a large and loyal audience in Asia's largest market, which was the first to embrace satellite TV. We have an acute sense of good programming and a strong commitment to quality programming. More is still very little programming coming into the region which has strong local appeal. That's because there is very little expertise in Asia to develop original and creative concepts with strong entertainment value, or to deliver programming with high production quality.

We have that programming expertise at CETV and are among the few players in Asia with both the right programming expertise and the right technology. The conference consists of the Apstar-1 Satellite, Cable, and Terrestrial TV operators in China and Hong Kong. We will be original programming with strong entertainment value, high production quality and with very big audience appeal. In fact, I believe I'm correct in stating that CETV is currently the only Asian Chinese network with a CEO who actually comes from a TV programming production background. As a 31-year veteran of the TV industry and one of the pioneers of Hong Kong's first terrestrial TV station, TVB, my experience spans the region and is not limited to only one Asian market—I believe is a strong asset for the satellite TV programming.

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I am pleased to be invited to talk about what television programming Asians want to watch because it is a subject that is very important to me personally as well as to the development of our new satellite TV network, China Entertainment Television Broadcast, otherwise known as CETV. I would like to talk about CETV's approach to the development of programming which we know Asians will want to watch. I will also comment on what I consider to be the key elements for successful satellite programming in Asia.

Programming Will Be King At CETV

Programming will be king at CETV. One of our greatest strengths is our ability to create and produce original programming that will have wide popular appeal and which touches the Chinese pulse. As you may be aware, there is no longer a shortage of satellite 'birds' in Asia's skies, which was the case a few years ago when STAR launched. However, there is an acute shortage of good quality, culturally relevant programming. There are a lot of people planning to run Western programming, or doing local language voiceovers of Western programming. But there is still very little new programming coming into the region which has strong local appeal. That's because there is very little expertise in Asia to develop original and creative concepts with strong entertainment value, or to deliver programming with high production quality.

We have that programming expertise at CETV, and are among the few players in Asia with both the right 'hardware' and the right 'software'. Our hardware, or distribution, consists of the Apstar-1 Satellite, coupled with our strong relationships with cable and terrestrial TV operators in China and around the region. Our software, or content, will be original programming with strong entertainment value, high production quality and with very big audience appeal. In fact, I believe I'm correct in stating that CETV is currently the only Asian Chinese network with a CEO who actually comes from a TV programming production background. As a 31-year veteran of the TV industry and one of the pioneers of Hong Kong's first terrestrial TV station, TVB, my experience spans the region and is not limited to only one Asian market—a factor which I believe is critical to creating successful regional satellite TV programming.

This regional perspective makes me somewhat unique in this part of the world. Quite frankly, I doubt there is anyone else in the Asian television industry who can combine such an in-depth knowledge of the Chinese TV industry with a broader Asian perspective. Along with my wife, Peggy, we have been doing business in China since 1979 when we became the first media company in the world to enter China. And, in 1981, we became the first foreign company to produce and distribute programming in China. As a result, we enjoy exceptionally close relationships with both industry and government officials in China at all levels. We also have unparalleled experience in bringing multinational, multimedia groups into China. In the early 80's we were responsible for introducing Metromedia into China, which was later bought by 20th Century Fox, and subsequently by Rupert Murdoch's NewsCorp. We also introduced Lorimar into China, who were eventually bought by Warner Brothers.

And, in 1984, my TV achievements were acknowledged in the Chinese Communist Party internal newspaper. Our relationships throughout China and our high-level support within China's TV industry are evidenced by the fact that, in 1993, I became the only person in Hong Kong to be appointed as "Honorary Advisor" by the prestigious Shanghai Radio and Television Society.

Over the years, we have visited cities all over China, and have established excellent relationships throughout the television industry and with government officials at all levels. In addition, CETV has obtained letters of support from many terrestrial TV and cable TV operators around the region and in China—a feat which I doubt has yet been achieved by any other regional satellite service.

The Mandarin Language Market

Before I talk further about CETV's programming lineup, I would first like to comment on the scope of the Chinese TV market and Mandarin Chinese language speakers throughout Asia. As you are no doubt already aware, China represents by far the biggest chunk of potential consumer spending in the region. But, rather than think in terms of political geography, we really need to view Asia in both cultural and linguistic terms. And, it is within this context that Chinese Mandarin language speakers emerge as the single largest potential viewing audience in Asia—or, for that matter, in the world. There are currently 1.2 billion Mandarin speakers in Asia. This is comprised predominantly of mainland Chinese, but also includes Taiwan, Singapore and the very affluent and influential ethnic Chinese populations spread throughout Southeast Asia. In fact, throughout Southeast Asia, it is well recognised that, while ethnic Chinese communities may represent only a small fraction of a country's total population, they often account for the lion's share of total disposable income.

Mandarin speakers are obviously both a very large and influential target market for any broadcaster. And that's why CETV will be Asia's first 24-hour specialist TV network dedicated to providing family entertainment to the huge number of Mandarin-speaking audiences in China, Taiwan and across Asia, representing over 90% of the world's Chinese population.

But how big is the television market for a Mandarin-language service? Well, in China alone, there are currently over 200 million TV households. While estimates vary widely, total television ad spend in China in 1995 will be somewhere between 1.6 and 2.2 billion U.S. dollars, and growing at a dramatic rate. According to China's State Administration for Industry and Commerce, ad spend in 1994 will grow between 30-40%, with television advertising sales up at least 50%. At this rate, China will rank among the world's three largest advertising markets within 5-10 years. Some believe that the market is actually much larger than reported, and may already rank among the world's top three.

Cable TV is growing rapidly in China. There are now over 1,000 registered cable TV operators, with twice that number not registered. Those cable operators which are not registered tend to be the smaller operators whose subscriber bases range between only a few hundred to several thousand. Of the almost 217 million TV households in China, approximately 14%—or 30 million TV households—now receive cable TV services. By the end of 1995, it is estimated that there will be at least 40 million cable TV households in China. This penetration of cable is expanding dramatically and is conservatively projected to grow at a rate of 20 to 25% per year.

Keep in mind also that, although advertising expenditures in China by multinational companies are growing rapidly—estimated as high as 100% per year—the majority of ad spend is still generated by domestic Chinese companies. Furthermore, media rates are still relatively low in comparison to more developed media markets. For example, the cost of a 30-second TV commercial on China's national channel, CCTV, is still only about US\$9,000. Whereas, a comparable national spot in the U.S., for example, can sell for anywhere between US\$100-500,000. Although the ad spend in China by multinationals is growing rapidly—perhaps as high as 100%—the majority of ad spend is still generated by domestic Chinese companies.

But, whatever numbers you choose to use, it is clear that there is enormous potential for a medium which targets Asia's Mandarin speakers. And that's exactly what CETV was conceived to do.

The CETV Network

The launch of the CETV Network is scheduled for the first quarter of 1995. We will broadcast via satellite to cable networks 24 hours a day; and, as I mentioned earlier, we will also be rebroadcast via selected terrestrial stations. We will transmit on the Apstar-1 Satellite—which is generally recognized as the 'hot bird' for Asia's China market—and we have an uplink agreement with Hong Kong Telecom. CETV will first broadcast one channel free-to-air to be followed by digital compression to increase the transponder's capacity, which will allow us to broadcast up to 6 channels simultaneously in either the PAL or NTSC systems or both.

For the first several years, CETV will be advertiser supported, and our service will be offered free to cable operators. We will target both domestic Chinese advertisers as well as foreign multi-nationals. In addition to advertising, we will develop other revenue streams from areas such as video sales, subscription, publishing, rebroadcast to other Chinese markets around the world and licensing fees stemming from the new celebrity 'icons' which CETV will be

developing. We are also evaluating participation in a home shopping channel venture which would focus on the China and Taiwan markets.

I am confident in our ability to achieve broad distribution for CETV throughout China, particularly in the coastal cities and provinces which account for the bulk of China's affluence. We are also in the process of concluding distribution agreements in Taiwan and elsewhere in the region. CETV has already obtained strong support in China from the appropriate official organizations, most of the major cable operators, and other markets in the region such as Singapore and the Philippines.

CETV's distribution has been further strengthened by our recent coup in signing an exclusive agreement with the China TV Company Ltd., an umbrella organisation representing 37 of China's major terrestrial TV stations who are all equity partners. We now have exclusive access to acquire and co-produce TV programmes from all over China, including Tibet and the more remote provinces. We have effectively secured a "CETV Terrestrial TV Re-Broadcast Network" that will broadcast selected CETV programmes to China's national audience of 1.2 billion viewers after our cable TV broadcast.

Some of you may be aware that the Chinese government instituted an official ban on foreign satellite signals in late 1993. It is common knowledge that the intent of this ban was targeted against foreign broadcasters which may be deemed by Chinese authorities as inappropriate, offensive to the Chinese culture or propagating foreign culture and moral values which might undermine conservative Chinese culture.

Therefore, one might ask, how can CETV, as a foreign signal from Hong Kong, be so confident of distribution in China? Although private satellite dishes are banned, all terrestrial and cable TV operators are permitted to receive satellite signals. It is then up to them to ensure that censorship requirements are met.

We are very confident that CETV will meet all Chinese censorship standard for the following reasons: (1) *CETV will be 'government friendly'* and will follow a strict code of self-censorship. Our aim is to promote wholesome Chinese cultural values. We have adopted a stance of 'no sex, no violence; no news' in our editorial policy with programming which will educate and inform viewers through 'edutainment and infotainment', programming which will enrich the viewer's lifestyle, yet still be highly entertaining. (2) *Foreign ownership of CETV will not exceed 49%*. (3) *Our extensive relationships built over 15 years of dealing with the Chinese TV industry and government ministries give CETV a distinct advantage over many other foreign satellite operators.*

CETV's Programming Line-Up

I said earlier that programming will be king at CETV, so I'd like to take a minute to talk about our programming line-up. During the launch phase, CETV will provide five and a half hours of brand new programming which will be aired in four cycles within a 24-hour period. Three and a half hours of programming will be original productions from CETV, and two hours will comprise programming acquired from third parties.

In other words, CETV will produce 1,300 hours of new programming in its first year. And, all of CETV's programs will either be produced at our studios in Hong Kong or co-produced in conjunction with TV stations in China and Taiwan.

We plan to launch three channels during our first year of operation: *The Food & Health Lifestyle Channel, The Entertainment Channel, and The Chinese Music Channel*. We will launch in the first quarter of 1995 with one channel—The Food & Health Lifestyle Channel. This channel will be the first of its kind in Asia, and has already generated strong interest from advertisers and agencies. It will feature a wide range of food and health-related topics including lifestyle, travel and general family entertainment programmes.

One of CETV's most popular programs will undoubtedly be "Enjoy Yourself China", a daily variety/talk show which will be modelled after "Enjoy Yourself Tonight" (EYT), Hong Kong's longest running and most successful TV program. I created EYT when I helped pioneer the development of Hong Kong's first terrestrial commercial TV station, TVB, in 1967. EYT immediately shot into the number one rated slot every night during my six and a half years with TVB, and it is still on the air. I am absolutely confident that our nightly "Enjoy Yourself China" will be an instant hit across China and will herald a new era of entertainment. To further ensure the program's success, I have already signed contracts with the two most popular stars of EYT—both of whom speak fluent Mandarin—who will co-host "Enjoy Yourself China" along with celebrity regulars from China, Taiwan and Singapore. This ensemble will present a formidable and very entertaining mix of talent that will ensure an avid and massive following.

In addition to EYC, the Food & Health Lifestyle Channel will incorporate *three programming formats*: (1) *Infotainment and edutainment talk shows* covering a wide range of topics including health and nutrition, personal care, social entertaining and etiquette, new trends, travel, fashion and lifestyle issues. (2) *Innovative Info/Edutainment game and quiz shows that will all be locally or regionally produced*. (3) *Imported programming which will have popular appeal for Mandarin audiences*. This will include Western, Chinese and other Asian dramas and tele-novelas, travel documentaries, lifestyle docudramas, and international cooking shows.

In China, there is a huge pent up viewer and advertiser demand for more television viewing options in general, and in particular for better quality entertainment with big audience appeal. I can only describe the general quality of current programming on the Chinese TV terrestrial TV stations, as disappointing. I must also say that my disappointment in programming quality includes Singapore's terrestrial TV station, and we are hopeful that the arrival of CETV in Singapore will create a healthy competitive environment which will in turn result in improved programming on SBC. During the past year almost every major large advertiser in China has been searching for new programming alternatives which can deliver big audiences—or programming sponsorship opportunities which will not be controversial but still highly entertaining. CETV is well positioned to tap this demand, and we are already developing programming concepts in conjunction with a number of major multinational advertisers.

CETV's Strengths

Some people ask me why I'm so confident of CETV's success. So, let me recap six elements which I believe define CETV's vision and which I consider to be our unique strengths and will ensure that CETV stands out in what is becoming an increasingly crowded and competitive media environment:

1. *CETV is Asia's first specialist Chinese TV network devoted to providing culturally relevant family entertainment which will have big audience appeal to the region's Mandarin-speaking audiences.*

2. *CETV will be a totally focused satellite network.* Unlike other regional satellite services which are attempting to produce programming in a variety of languages, targeted to several different cultures and trying to cover as many countries as possible, CETV will focus only on Chinese Mandarin-speaking viewers in Asia. We will be co-producing many of our programmes with the regional terrestrial and cable TV operators in China, Taiwan and Southeast Asia.

3. *CETV will be a government friendly television signal.* This is perhaps best summed up in our 'no sex, no violence, no news' approach, and by focusing our entertainment content on infotainment and edutainment programming, created and produced specifically for the Chinese market. By *no sex*, I mean no unacceptable sexual behaviour or x-rated programmes. *No violence* means not including violence for the sake of violence—such as Chinese kung fu shows or films like Robocop. It means including violence only if it is necessary in the plot—shows like *Murder She Wrote* or *Magnum P.I.* are acceptable. And *no news* means avoiding sensitive subjects, because not all governments share the same views due to their culture or policy—and this, in my opinion, we should all respect.

4. *CETV is very appealing to advertisers.* We will deliver a large, affluent middle-class audience of Mandarin-speaking viewers. Unique and innovative programming concepts on our Food & Health Lifestyle Channel coupled with the opportunity to develop unique programming concepts tailored to advertiser needs has already generated strong interest among major advertisers and agencies.

5. *There are few players in Asia who can put together a unique blend of innovative regional programming concepts which have strong local appeal and will deliver big audiences.* We understand the China market better than anyone else in the world and have played a part in the growth of China's TV industry over the past 15 years.

6. *Due to our long-standing and extensive relationships in the Chinese TV industry and elsewhere around the region, CETV will be ensured of strong distribution.* CETV has obtained letters of support from many terrestrial TV and cable TV operators in China and around the region—a feat which I doubt has been achieved by any other regional satellite service. And, as I mentioned earlier, our distribution has been further strengthened by our recent coup in securing 37 major terrestrial TV stations in China to rebroadcast select CETV programmes—providing national distribution for selected CETV programmes.

CETV is also on the 'hot bird' —the Apstar 1 Satellite. Just compare those network services which will be carried on the AsiaSat Satellite versus those which are planned for the Apstar Satellite. In my opinion, Apstar wins hands down with a selection of the best of all worlds, including CETV.

I am absolutely confident that the quality and wide popular appeal of CETV's programming will drive distribution, and a higher quality viewer for our advertisers. In short, CETV is a unique concept and well poised to capitalize on Asia's media boom, and in particular the China market. As I mentioned earlier, I believe that we have the right software on the right hardware, and we are targeted to the world's largest and potentially most lucrative markets.

Criteria For Successful Satellite Programming In Asia

I would now like to focus on those elements which I believe make a successful satellite broadcaster in Asia. What is the criteria for successful satellite programming in Asia?

Cultural Sensitivity

First and foremost, a successful broadcaster must demonstrate an understanding of cultural sensitivities. Much Western entertainment is simply not considered suitable for Asian tastes. For example, a number of Asian governments view MTV as unwelcome cultural pollution. Also, some Western family movies are often viewed as unsuitable for Asian viewers—even though there may be no apparent sex or violence. They often depict casual sex whereby couples meet for the first time kiss and then, almost immediately, go to bed. Such social behaviour is often considered not acceptable to many Asian societies. In the Asian TV industry, an understanding of the different cultures you are dealing with is an absolute necessity which is all too lacking today. It requires an understanding of the Asian cultural sensitivity which cannot be imported or acquired by simply learning the language and living in the country for a few years.

If you want to be successful and remain as a welcome signal, then you need to be able to read the pulse of Asia's cultural diversity. Consider a dispute earlier this year between the BBC and the Malaysian station, RTM in which the BBC objected to RTM's use of their footage on the riots in Indonesia. The Malaysians edited out a scene in which a Chinese man was hung and burned. The BBC objected strenuously, citing censorship. But, in the end, RTM stood firm and ultimately decided to discontinue the BBC service. In this instance, I support the Malaysians. Malaysia has a long-standing historical problem with racial tensions and such scenes would only serve to fuel those tensions. I do not subscribe to falsifying information, but I do believe in censorship which eliminates issues or subjects which are too sensitive, offensive or not suitable to the local culture. I realise that this may go against the concept which many Western journalists hold dear, but that's the way it is in Asia. After all, television programmers are allowed to censor scenes depicting sex or violence according to each country's TV censorship laws or social custom—so why not also news?

Asian governments are not against western broadcasters, but they are concerned about what they view as cultural pollution by western culture and lifestyle. Lee Kuan Yew summed up Asian concerns when he criticised aspects of American and other Western societies. He said that "expansion of the right of the individual to behave or misbehave as he pleases has come at the expense of orderly society. The idea of the inviolability of the individual has been turned into dogma. Eastern societies believe that the individual exists in the context of his family. He is not pristine and separate. The ruler of the government does not try to provide for a person what the family provides best." Most Asian leaders and many Asians happen to agree with Mr. Lee and will continue to insist that Asian ways are different and should be kept so.

Asia welcomes Western technology and TV programs which depict what some Westerners might call old-fashioned, wholesome, traditional family values. Generally speaking, Asians do not welcome the new lifestyles so often portrayed in western programming: loose sexual behaviour, foul language, drugs and individual freedom at the expense of the society. A good example of this would be MTV's Beavis and Butthead characters, which many Asian simply find offensive. While Asia certainly wants to modernise itself, it does not want to Westernise itself via the examples portrayed in so much of today's Western programming.

Oliver Stone's new film, "Natural Born Killers", which is currently creating a controversy in the U.S., is a perfect example. It illustrates a disturbing trend in America and Western societies whereby criminals or individuals displaying scandalous and even criminal behaviour often become folk heroes in the media. It's almost as if, in the West, shame can often bring fame. Whereas, in Asia, shame, scandal and criminal behaviour still brings disgrace and loss of face for the individual and their family. Just look at the Michael Faye caning situation in Singapore earlier this year where this teenager became a media star and refused to accept responsibility for his actions and blames everyone but himself. In the West, there is too much of a tendency to blame someone else for the consequences of an individual's own scandalous or criminal behaviour. Yet, in Asia, traditional family values are still intact and there will usually be an effort to reform.

We simply need to recognize that Asian values are different than those in the West. And anyone involved in developing programming for Asians must be sensitive to this reality.

Programming which has a strong local or single market appeal may be fine for a local terrestrial TV partnership, but that is not good enough for a regional satellite TV service. For satellite TV, you really need programming which has broad appeal across the region, not just in one market. And that is very hard to find, indeed. We Asians are very sensitive to anything which may upset a neighbouring country, even though it may be perfectly acceptable in our own Chinese culture. We view this as simply courtesy. For me, these cultural sensitivities come as second nature, since I was raised in Singapore under a multinational society where I had produced television programming in three different languages—Malay, Mandarin and English.

I believe strongly that, ultimately, the success of TV depends mainly upon one thing—programming. In the retail industry, a fundamental rule of success that it is always due to 'location, location, location'. However, if you have a terrific location but a poor product, the location doesn't help you much. You still can't sell the product. I submit that the same is true in broadcasting where, although distribution is an important factor, if your programming is poor, then no one will reach out to watch you, no matter how many billion people you may be able to claim to reach. There are those satellite services in Asia claiming to reach potential audiences of 100, 300 and even over 600 million people, but that's not the point. Having potential access to viewers is one thing; but *the key is for those viewers to want to reach for your network and to actually watch your programming.* That requires good quality programming which is culturally relevant, does not offend and which has big audience appeal.

Therefore, unless you can deliver the right type of programming in Asia as well as having the right contacts and rapport with authorities, you will find it a very difficult environment in which to broadcast. For example, if you want to deliver a free movie channel, what can you offer these days if you eliminate all the sex and very violent scenes? In countries where censorship includes omitting all four-letter words, this would severely hamper the storyline of many Western movies.

Do you think, then, that those broadcasters which cannot provide sufficient, wholesome entertainment which is not offensive to Asian regulators will have much of a chance at achieving broad or permanent distribution? You can draw your own conclusions. Yet, we still see a lot of Western programmers trying to penetrate the Asian market, knowing they will face all these problems.

So, once again, my advice is simple when it comes to what programming Asians want to watch: First, minimise the obstacles by doing your homework before jumping into Asia. Determine what kind of programming is interesting to Asians and what appeals to your target audience. Then, develop programming which does not offend and which respects Asia's diverse cultural sensitivities. In my opinion, this development process must certainly require the involvement of an Asian regional, and not local TV expertise. And, finally, produce quality programming which is not only relevant but which has a strong creative format and a very high entertainment value. This will then result in programming that Asians want to watch.

Thank you.

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