

## CHAIRMAN'S STATEMENT



2004 was a year of recovery for Hong Kong's economy and TVB. We performed consistently throughout the year posting very satisfactory results for the year.

It is my pleasure to report an increase of the group's turnover from HK\$3,311 million to HK\$3,817 million, which represented an increase of 15%. Our advertising revenue which totalled HK\$2,007 million showed an increase of 16% over 2003. This reflected the recovery in the economy in Hong Kong during 2004, as compared with the year 2003, which was adversely affected by SARS in the region, and the strength of TVB in continuing to capture a significant share of advertising dollars. As a result, net profit for the year increased from HK\$441 million to HK\$719 million, which represented an increase of 63%. This is the result of solid revenue growth and stringent measures taken to control costs and overheads.

At the Company's annual general meeting to be held on 25 May 2005, the directors will recommend a final dividend of HK\$0.80 per share. Together with the interim dividend of HK\$0.20 per share paid on 30 September 2004, this makes a total dividend of HK\$1.00 per share for the year ended 31 December 2004, and represents an increase of 25% over the total dividend of HK\$0.80 per share for last year.

Our channel operations in Taiwan continued to generate encouraging results. In line with our long term strategy to expand our earnings base, we are pleased to report that the group has increased its stake in Liann Yee Production Co. Ltd., in Taiwan, from 70% to 100% through a transaction announced on 4 February 2005. The transaction received the approval from shareholders of the Company at an extraordinary general meeting on 21 March 2005. With the consolidation of our interest in the Taiwan cable TV market, we look forward to further contribution from this exciting, though competitive, market.

Our licensing business continued to make steady progress in key markets as the subscriber base continued to expand, despite rising web piracy which affected some of our video rental and sale businesses. Subscriber numbers for our satellite delivered channels in the USA showed satisfactory growth. As regards the European and Australian satellite pay TV operations, we have improved our distribution technology to counteract piracy of our channels.

Despite the departure of Intelsat Hong Kong, LLC, our partner in Galaxy Satellite Broadcasting Limited ("Galaxy"), in December 2004, we remain a believer in the exciting opportunities in the pay TV market in Hong Kong. We base this belief on the competitive advantage that Galaxy has in providing TV programmes that meet local market needs, and its ability to respond to changes in viewing habits and tastes, as new pay TV operators emerge. Through Galaxy's planned business cooperation with Hutchison Global Communications Limited, it will be able to expand into the IPTV market in Hong Kong, in addition to distribution through SMATV. We believe that this will make Galaxy's offerings attractive and competitive.

In 2004, we secured the right to legally distribute our two Hong Kong terrestrial TV channels - Jade and Pearl, in the Cantonese speaking Pearl River Delta area. We see this as the first step in cooperating with partners in the Pearl River Delta, which we hope will give rise to mutually beneficial business opportunities.

## **CHAIRMAN'S STATEMENT** (Continued)

Finally, on behalf of the board, I would like to extend my sincere thanks to all of our dedicated staff for their many efforts in reaching new heights. We continue to look forward to further successes in the future.

**Run Run Shaw**  
Executive Chairman

Hong Kong, 23 March 2005