

## CHAIRMAN'S STATEMENT



As I mentioned last year that 2004 was a year of recovery for Hong Kong's economy and TVB, so the year of 2005 brought continued success on many fronts.

During 2005, we saw the Group's turnover increase by 9% from HK\$3,817 million to HK\$4,177 million. Our advertising revenue which totalled HK\$2,682 million showed an increase of 3% over 2004. Our overall programme costs which totalled HK\$1,148 million showed a decrease of 12%. Including the gain on the disposal of our 51% equity interest in Galaxy Satellite TV Holdings Limited ("GSTV") of HK\$149 million, I am pleased to report that the Group's profit attributable to shareholders grew 64% from HK\$719 million to HK\$1,180 million. These numbers marked another major achievement for TVB.

At the Company's annual general meeting to be held on 24 May 2006, the Directors will recommend a final dividend of HK\$1.30 per share. Together with the interim dividend of HK\$0.25 per share paid on 29 September 2005, this makes a total dividend of HK\$1.55 per share for the year ended 31 December 2005, and represents an increase of 55% over the total dividend of HK\$1.00 per share for last year.

For terrestrial television broadcasting, we benefited from the continued strength in Hong Kong's economy and a buoyant real estate market in Hong Kong during the first half of 2005. However, our growth was dampened in the second half, against a background of rising oil prices and interest rates which adversely affected the growth in the real estate market. Nevertheless, we are encouraged by the strength of the local economy, and the role of Hong Kong as an Asia's international city should enable Hong Kong to continue to prosper. We are optimistic that cross border activities, particularly those with Mainland China, will continue to increase, and help drive the local economy to new heights.

On programming, we provided audiences worldwide with innovative programme formats and popular drama series, both from our own library and from overseas. Our production capability and talent pool have again proven to be our key strengths.

Our overseas operations made steady progress, despite worldwide piracy and illegal downloading from the Internet which continued to adversely impact our video licensing and distribution business. These problems will have to be tackled on an international scale, and TVB is actively involved in this issue. We have been successful in developing new modes of delivery for our products to make up for income lost to piracy.

The Pearl River Delta has a population in excess of 23 million, which is a huge market by any standard. Cantonese is the key dialect in this region and TVB's Jade channel attract high ratings compared to the national and provincial television channels. With the Guangdong Landing Rights Agreement in place, we have started the collection of license fees during the first half of 2005. This paves the way for further co-operation with television stations in this market.

Despite some initial setbacks in building our pay TV platform in Hong Kong, in April 2005, we entered into a transaction for the sale of our 51% interest in GSTV which valued our remaining 49% interest in GSTV at HK\$336 million. We welcome our new business partners whom we are confident will make valuable contributions to the success of GSTV. Subsequent to the year end in February 2006, GSTV signed a co-operation agreement with PCCW Media Limited in securing additional distribution for its channels which would increase significantly the homespassed in Hong Kong. With wider distribution through both satellite and IPTV, we are positive that GSTV will remain a competitive force in the local pay TV market.

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

During the course of 2006, we shall be investing in our transmission network and our production facilities in order to convert to digital broadcasting and to commence our high definition television broadcasting under a plan agreed with the Government. Even though this requires substantial investment in new infrastructure and equipment, we believe that this will bring us in line with international standards and provide much improved picture quality to Hong Kong viewers.

On behalf of the Board, I wish to thank our dedicated staff for their hard work. We look forward to another exciting and challenging year ahead.

**Run Run Shaw**

Executive Chairman

Hong Kong, 22 March 2006