



CHAIRMAN'S STATEMENT



I am pleased to report that in 2006 the Group's turnover increased from HK\$4,177 million to HK\$4,201 million, which represented an increase of 1%. The Group's net profit after tax also increased from HK\$1,180 million to HK\$1,189 million, an increase of 1%. If the gain on disposal of the 51% equity interest in TVB Pay Vision Holdings Limited was excluded from the net profit after tax for 2005, we recorded an increase of 15%. The Group's net assets at 31 December 2006 totaled HK\$4,845 million, up 11% from HK\$4,382 million at the end of 2005.

The Directors will recommend a final dividend of HK\$1.45 per share at the Company's next Annual General Meeting. Together with the interim dividend of HK\$0.25 per share, this makes a total dividend of HK\$1.70 per share for the full year ended 31 December 2006, and represents an increase of 10% over the total of dividend of HK\$1.55 per share for 2005. This level of dividend represents a 63% payout of our net profit for the year.

Even though the advertising revenue from our terrestrial TV business, which is the largest segment of our revenue stream, was marginally lower than that in 2005, we are optimistic about the economic growth prospects in Hong Kong and the domestic advertising market. Our overseas licensing business continued to perform well during the year, with satisfactory growth recorded in Mainland China. The Guangdong Landing Rights Agreement, signed in 2004, has allowed us to collect a licence fee, which was not possible in the past. We shall continue to work closely with key stations in Mainland China in co-production projects, such as the production of the sixty episode drama series "*Drive of Life*" with China Central Television ("CCTV") which is scheduled for completion and broadcast in 2007, and other programme production with provincial and national stations, with the view to building strong working partnerships in this market.

TVB remains the most popular TV broadcaster in Hong Kong by choice. However, we are not complacent. We acknowledge that this rapidly evolving world of media and entertainment provides both opportunities and threats to our business. We have adopted a forward thinking concept for our slogan – 走在最前, reflecting a new innovative station image, and the progressive and creative character of our channels. We shall live up to this claim by producing programmes that bring the highest entertainment value. We shall continue to identify and invest in new talent in order to grow our artiste base, which is pivotal to our underlying strength.

The acts of piracy and illegal internet downloading continue to hurt the industry in an unprecedented manner. In TVB, we enforce our intellectual property rights seriously and will continue to devote our resources to combat such illegal behaviour in the most vigorous manner.

Going into 2007, we are excited about our future for two important reasons:

We are well-underway to upgrade our transmission network from analogue to digital which will provide a much improved picture quality for our viewers. We are on course to deliver digital broadcasting from the end of 2007 and to commence delivery of programmes in high definition format which offers pristine image quality. We believe Hong Kong, as a society with a traditionally strong high-tech following, will soon embrace this technology for home entertainment. As a result of the increased channel carrying capacity under digital delivery, we are going to have a new high definition digital television channel and two standard definition digital television channels which will simulcast our existing *Jade* and *Pearl* channels, thus enriching our viewers' choices.

We look forward to the forthcoming Olympic Games which will be hosted in our nation's capital Beijing in the summer of 2008. TVB is committed to bringing Hong Kong viewers unrivalled coverage of the events in the capital and six other cities, including our home city. The excitement begins even within 2007 with our extensive lead-in programmes. We are confident that these events will draw even more viewers than any other previous Games.

On behalf of the Board, I wish to thank all our stakeholders for their on-going endorsement and support of the TVB Group.

Run Run Shaw

Executive Chairman

Hong Kong, 21 March 2007