

CORPORATE GOVERNANCE REPORT

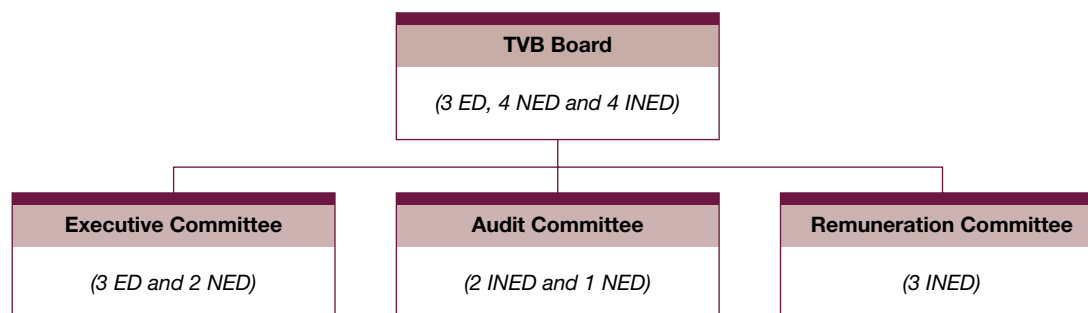
Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's core objectives. The Company believes that conducting business in an open and responsible manner serves its long-term interests and those of the shareholders.

The Company adopted its own Code on Corporate Governance which essentially complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save that the Chairman is not subject to retirement by rotation at least once every three years (code provision A.4.2). Detailed explanation for such deviation is provided later in the Corporate Governance Report.

The Board reviews the corporate governance practices adopted by the Company from time to time to comply with the increasingly stringent regulatory requirements and to meet the rising expectations of stakeholders. Key elements of the Company's corporate governance framework are described below:

GOVERNANCE STRUCTURE

The overall governance structure of the Company is set out below:



Notes:

- 1) ED – Executive Director(s)
- 2) NED – Non-executive Director(s)
- 3) INED – Independent Non-executive Director(s)

BOARD OF DIRECTORS

The Board is charged with the duty of promoting the success of the Company by directing and supervising its affairs in a responsible manner. The Board is the highest governing body of the Company.

COMPOSITION

The Board has 11 Directors and one Alternate Director. The list of Directors as at 31 December 2006 was as follows:

Directors	Designations/Categories
Run Run Shaw	Executive Chairman
Norman Leung Nai Pang	Executive Deputy Chairman
Mona Fong	Deputy Chairperson and Acting Managing Director
Edward Cheng Wai Sun	Independent Non-executive Director
Chow Yei Ching	Non-executive Director
Ho Ting Kwan	Non-executive Director
Chien Lee	Independent Non-executive Director
Christina Lee Look Ngan Kwan	Non-executive Director
Li Dak Sum	Independent Non-executive Director
Kevin Lo Chung Ping	Non-executive Director
Robert Sze Tsai To	Independent Non-executive Director
Anthony Lee Hsien Pin	Alternate Director to Christina Lee Look Ngan Kwan



Mr. Louis Page resigned as Director and Managing Director of the Company on 31 May 2006. Ms. Mona Fong was appointed by the Board as Acting Managing Director of the Company on the same day to ensure a smooth operation and a continued pursuit of the set objectives of the Company by the Management.

The Executive Committee nominated and the Board approved the appointment of Mr. Edward Cheng Wai Sun to be Independent Non-executive Director of the Company with effect from 1 June 2006.

The Company has four Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each Independent Non-executive Director gives the Company an annual confirmation of his independence, and the Company considers these Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Directors have no relationship (including financial, business, family or other relationship) among themselves, save for the following:

- the husband-wife relationship between Sir Run Run Shaw and Ms. Mona Fong;
- the directorship of Dr. Chow Yei Ching in Shaw Brothers (Hong Kong) Limited;
- the aunt-nephew relationship between Mrs. Christina Lee and Mr. Chien Lee; and
- the mother-son relationship between Mrs. Christina Lee and Mr. Anthony Lee.

Biographical details of Directors are set out on pages 25 to 28 of this Annual Report.

DUTIES AND RESPONSIBILITIES

Each Director is kept abreast of his responsibilities as Director of the Company and of the conduct, business activities and development of the Company. Orientation programmes are organised for providing induction to new Directors to help them familiarise with the Company's management, business and governance practices.

Management provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group. Directors also have independent access to Management in respect of operational issues.

Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

All Directors give sufficient time and attention to the Company's affairs. Duties of the Board include:

- planning the strategic direction of the Company;
- monitoring the performance of Management; and
- ensuring that a risk management framework is in place to enable risks be assessed and managed.

The Board's responsibility to present financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs is discussed further under "Financial Reporting and Audit" in the Corporate Governance Report.

The Board's responsibility to ensure that a sound and effective internal control system is maintained is discussed further under "Internal Controls" in the Corporate Governance Report.

The Board is vested with the responsibility to disseminate to shareholders and the public any price-sensitive information in the form of announcements and circulars in accordance with the Listing Rules. Details are further discussed under "Corporate Communications" in the Corporate Governance Report.

BOARD COMMITTEES

The Board is supported by three Board Committees, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Each of them has defined terms of reference covering its duties, powers and functions. The Terms of Reference of each of these committees are available on the Company's website at www.tvb.com.

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COMPOSITION AND FUNCTION

Major functions, composition and operating mode of Board Committees are set out below:

	Major roles and functions	Composition in 2006	Operating mode
Executive Committee	<ul style="list-style-type: none"> nominate suitably qualified candidates to become Directors establish and consider changes to company-wide policies consider corporate plans and budgets consider actual or potential, major exception or occurrence which has, or may have, major impact on business and operation of the Company 	ED Run Run Shaw (<i>Chairman</i>) Norman Leung Mona Fong Louis Page ^R NED Kevin Lo Christina Lee ^A	Meet normally 6 times a year
Audit Committee	<ul style="list-style-type: none"> review appointment of external auditors and ensure continuing auditors' independence assist the Board in fulfilling its responsibilities by providing independent review and supervision on financial reporting and effectiveness of the Group's internal control system review objectivity and effectiveness of audit process in accordance with applicable standards 	INED Robert Sze (<i>Chairman</i>) Chien Lee D S Li ^R NED T K Ho ^A	Meet at least twice a year
Remuneration Committee	<ul style="list-style-type: none"> formulate remuneration policy and make recommendations on annual remuneration review determine remuneration of Executive Directors and members of Senior Management 	INED Chien Lee (<i>Chairman</i>) Edward Cheng ^A Robert Sze NED Mona Fong ^R	Meet at least once a year

Notes:

A – appointed during 2006

R – resigned during 2006



BOARD/BOARD COMMITTEES' MEETINGS

Six regular Board Meetings and one special Board Meeting were held in 2006. At the regular Board Meetings, the Directors discussed and formulated overall strategies for the Company, monitored financial performance and discussed the annual and interim results, as well as other significant matters.

The attendance of Directors at the Board Meetings and the Board Committees' (Executive Committee, Audit Committee and Remuneration Committee) Meetings is set out in the table below:

Directors	Meetings Attended/Held in 2006				
	Board	Board (Special) ¹	Executive Committee	Audit Committee	Remuneration Committee
Executive Directors					
Run Run Shaw	6/6	0/1	7/7		
Norman Leung	6/6	1/1	7/7		
Mona Fong ²	6/6	0/1	7/7		1/1
Louis Page ³	3/3	0/1	3/3		
Non-executive Directors					
Edward Cheng ⁴	3/3				1/1
Chow Yei Ching	4/6	0/1			
Ho Ting Kwan	6/6	1/1		2/2	
Chien Lee	6/6	1/1		2/2	2/2
Christina Lee ⁵ * 2 Board Meetings and 1 Executive Committee Meeting were attended by the Alternate Director	6/6	0/1	4/4		
Li Dak Sum	6/6	1/1			
Kevin Lo	4/6	1/1	5/7		
Robert Sze	6/6	1/1		2/2	2/2

Notes:

- 1) One special Board Meeting was held on 26 April 2006 to review the recommendations of the Independent Assessment Board in relation to the supply to pay TV operator(s) of eight pay TV channels in Hong Kong. Sir Run Run Shaw, Ms. Mona Fong and Mr. Louis Page, being the then directors of TVBPA, sent apologies to such meeting to comply with the licence condition(s) of the Company's Domestic Free Television Programme Service Licence.
- 2) Ms. Mona Fong was appointed as Acting Managing Director and ceased to be a member of the Remuneration Committee on 31 May 2006. One Remuneration Committee Meeting was held between 1 January 2006 and 30 May 2006.
- 3) Mr. Louis Page resigned as Director and Managing Director of the Company on 31 May 2006. Three regular Board Meetings, one special Board Meeting and three Executive Committee Meetings were held between 1 January 2006 and 30 May 2006.
- 4) Mr. Edward Cheng Wai Sun was appointed as Independent Non-executive Director and a member of the Remuneration Committee on 1 June 2006. Three Board Meetings and one Remuneration Committee Meeting were held between 1 June 2006 and 31 December 2006.
- 5) Mrs. Christina Lee Look Ngan Kwan was appointed a member of the Executive Committee on 31 May 2006. Four Executive Committee Meetings were held between 31 May 2006 and 31 December 2006.

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REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main elements of the Company's remuneration policies are set out below:

- no individual should determine his or her own remuneration;
- remuneration should be set which is commensurate with pay levels in the market; and
- remuneration should be able to attract and retain individuals with appropriate background, skills, knowledge and experience, relevant to the business and industry that the Group operates in.

Non-executive Directors are remunerated by a fixed Directors' Fee. In line with our policy that no individual should determine his or her own remuneration, the Directors' Fee was recommended by the Board and approved by shareholders at annual general meetings. Non-executive Directors are also entitled to an additional fee for serving on the Board Committees.

The Executive Chairman is remunerated by way of a fixed fee. Other Executive Directors and Senior Management are remunerated by way of salaries and other incentives such as discretionary or performance bonus and provident fund.

In determining the remuneration of Executive Directors and Senior Management, the remuneration of comparable positions in the market, including local and regional companies of comparable size, complexity and business scope, are referenced. This is consistent with the Group's policy to pay remuneration which is commensurate with pay levels in the market.

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

No share options of the Company have been granted to Directors or Senior Management in 2006.

During the year, Mr. Louis Page resigned as Director and Managing Director of the Company on 31 May 2006. In recognition of Mr. Page's valuable contributions to the Company and the Group over the past twenty years, the Board, in consultation with the Remuneration Committee, approved that a gratuity of HK\$3 million be paid to Mr. Page.

Ms. Mona Fong was appointed by the Board as Acting Managing Director on 31 May 2006. Accordingly, Ms. Fong is entitled to a salary for taking up such an executive role. Ms. Fong had offered to waive any discretionary bonus which might be granted to her for her office as Acting Managing Director between 31 May 2006 and 31 December 2006.

Details of the Directors' and Senior Management's emoluments are set out on pages 90 to 92 of the Notes to the Consolidated Financial Statements.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005. All members are Independent Non-executive Directors. The Committee is chaired by Mr. Chien Lee and the members are Mr. Edward Cheng Wai Sun and Mr. Robert Sze Tsai To.

The Remuneration Committee had two meetings in 2006. The Remuneration Committee passed by way of circulars for matters other than those resolved at the meetings. Set out below is a summary of the work performed by the Remuneration Committee during 2006:

- 1) The Committee reviewed and recommended a new set of Directors' Fee and additional fees payable to Directors serving on the Board Committees by reference to the then prevailing market levels.
- 2) The Committee reviewed the remuneration policy and structure of Non-executive Directors.



- 3) The Committee reviewed the remuneration policy and structure of Senior Management.
- 4) The Committee reviewed and approved the salary increases of Senior Management in 2006.
- 5) The Committee recommended to the Board the amount of the discretionary bonuses to be paid to the Executive Directors and Senior Management for 2006.

During the year, the Board approved all the recommendations of the Remuneration Committee.

NOMINATION OF DIRECTORS

The appointment of a new Director is a matter for consideration and decision by the full Board. As delegated by the Board, the Executive Committee is responsible for nominating suitably qualified candidates to be Directors.

Sir Run Run Shaw is the Chairman, Dr. Norman Leung Nai Pang, Ms. Mona Fong, Mrs. Christina Lee Look Ngan Kwan and Mr. Kevin Lo Chung Ping are members of the Executive Committee.

The Board appointed Mr. Edward Cheng Wai Sun to be an Independent Non-executive Director of the Company on 1 June 2006 to enhance the representation of Non-executive Directors on the Board, of which over one-third of the members are Independent Non-executive Directors.

In the selection process, the Executive Committee made reference to criteria including, inter alia, reputation for integrity, education background, accomplishment and experience in the commercial industry, and time commitment and relevant interest.

DIRECTORS' TERM OF APPOINTMENT AND RE-ELECTION

Non-executive Directors are appointed for a specific term of three years. All Directors retire from office by rotation and are subject to re-election at an Annual General Meeting at least once every three years. Pursuant to Article 114(D) of the Company's Articles of Association, the Chairman is exempted from retirement by rotation.

The Company's Articles of Association provide that Directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

REPORT ON CORPORATE GOVERNANCE PRACTICES

The Board monitored the Company's progress on corporate governance practices throughout the year under review. Apart from regular meetings, circulars were issued to Directors and Senior Management to ensure awareness of the best corporate governance practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company adopted its own Code on Corporate Governance in 2005 which complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Listing Rules, save that the Chairman is not subject to retirement by rotation at least once every three years (code provision A.4.2). Pursuant to Article 114(D) of the Company's Articles of Association, the Chairman is exempted from retirement by rotation. The Board considers that this deviation is well-founded as the Chairman, being a founder of the Company, has a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business.

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COMPLIANCE WITH MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules ("Model Code") as the code for Directors and Senior Management in their dealings in the Company's securities.

Mr. Louis Page, who resigned as Director and Managing Director of the Company on 31 May 2006, and Mr. Edward Cheng Wai Sun, who was appointed as Independent Non-executive Director of the Company on 1 June 2006, confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the periods between 1 January 2006 and 30 May 2006 and between 1 June 2006 and 31 December 2006 respectively.

All other Directors and members of the Senior Management confirmed, following specific enquiries by the Company, that they had complied with the Model Code throughout the year ended 31 December 2006.

SEGREGATION OF DUTIES

The roles of the Chairman and Managing Director are segregated and clearly defined as set out in the Company's Code on Corporate Governance. As at the date of the report, Sir Run Run Shaw is the Executive Chairman and Ms. Mona Fong is the Acting Managing Director of the Company respectively.

The Board has formalised the functions delegated by the Board to the Management and reviews such arrangements on a periodic basis. The Management is charged with the following responsibilities:

- implementing and reporting to the Board on the Company's strategies;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of the Management; and
- discharging duties and authority as may be delegated by the Board.

FINANCIAL REPORTING AND AUDIT

The Board is responsible for presenting financial information of the Group in a clear, balanced and timely manner in the form of financial statements that give a true and fair view of the Group's state of affairs. The Board also carries out the responsibility to select the most appropriate accounting policies for the Group. In this regard, the Board has adopted the Hong Kong Financial Reporting Standards as promulgated by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements of the Group have been prepared on a going concern basis, assuming the continued operation of the business.

The Board is also vested with the responsibility to disseminate to shareholders and the public any price-sensitive information in the form of announcements and circulars, in accordance with the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established in 1999. It comprises two Independent Non-executive Directors and one Non-executive Director. The Audit Committee is chaired by Mr. Robert Sze Tsai To who possesses the appropriate professional qualifications and accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules. Mr. Ho Ting Kwan and Mr. Chien Lee are members of the Audit Committee.

The Audit Committee held two meetings during the year ended 31 December 2006. Set out below is a summary of the work performed by the Audit Committee:

- 1) The Committee reviewed in conjunction with Management the accounting principles and practices adopted by the Group.
- 2) The Committee reviewed in conjunction with the external auditors the developments of accounting standards and assessed their potential impacts on the Group's financial statements.



- 3) The Committee reviewed the draft interim and annual financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- 4) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditors. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the auditors any significant findings and audit issues.
- 5) The Committee recommended to the Board regarding the appointment and remuneration of the external auditors.
- 6) The Committee reviewed the adequacy and effectiveness of the Group's system of internal controls and made a report to the Board as set out in the section headed "Internal Controls".
- 7) The Committee reviewed and adopted a policy for the provision of non-audit services by the external auditors.

All non-audit services being undertaken by the external auditors have been approved by the Audit Committee based on the set criteria.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The reporting responsibilities of PricewaterhouseCoopers, the principal external auditors, are set out in the Report of the Auditors on page 48 of this Annual Report.

AUDITORS' REMUNERATION

Management performs a review of the remuneration to the external auditors on an annual basis. The fees for audit services have been approved by the Audit Committee, whilst the fees for non-audit services are estimates made by Management. A summary of fees for audit and non-audit services is as follows:

	Fees for audit services		Fees for non-audit services	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company	1,086	1,067	279	259
Subsidiaries	2,595	2,603	1,376	2,482
Total	3,681	3,670	1,655	2,741
Fees payable to PricewaterhouseCoopers, the principal external auditors	3,244	3,249	1,313	2,474

Non-audit services rendered to the Group included principally professional fees in relation to tax services.

INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal controls to safeguard the Company's assets and shareholders' interests.

The system of internal controls has been designed to safeguard assets from unauthorised use or disposition, ensure maintenance of proper accounting records, and ensure effective operation of the Company's business and compliance with regulations. Management is directly responsible for implementing the strategies and policies adopted by the Board, and for managing all of the Company activities,

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including the operation of the internal control system. The system of internal controls is, however, designed to provide reasonable, but not absolute, assurance against material mis-statement or loss, and manage, rather than eliminate, risks of failure in operational systems.

The Company has an extensive risk management framework, covering engineering (including broadcasting), programme production, production resources, marketing and sales, information technology, financial and compliance functions.

The key procedures that the Board has established to provide effective internal controls are as follows:

- 1) The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, the Management and the external auditors.
- 2) The Board has established a clear organisation structure, including the delegation of appropriate responsibilities from the Board to the board committees, members of the Senior Management, and to the heads of operating subsidiaries/divisions, where appropriate.
- 3) A comprehensive management accounting system is in place to provide financial and operational performance data for management accounting purposes. Review of the accounting information takes place on a regular basis at board committee level and remedial action is taken promptly, where necessary.
- 4) A Code of Ethics has been adopted and regularly updated to govern the staff's conduct, which sets the standards of integrity and professionalism for the Company's operation.
- 5) Internal control procedures are documented under each of the operating divisions.

During the year ended 31 December 2006, the Management reviewed the internal controls of the Group, covering the financial, operational and compliance issues (the "Review").

The Review took the form of a control self assessment process. This required the head of each business unit to perform an assessment of the effectiveness of the material controls over reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The outcome of the control self assessment process was documented and presented to the Audit Committee.

The Management also reviewed the macro and corporate level risks that confront the Group's businesses, and made an assessment on the adequacy of the existing internal controls that are in place to mitigate those risks.

On behalf of the Board, the Audit Committee examined the Report prepared by the Management and was satisfied that:

- 1) The Review had covered all material controls, including financial, operational and compliance controls, and the risk management function.
- 2) The Group's internal controls are adequate for the current operation and in safeguarding the assets of the Group.
- 3) Management has put in place appropriate financial controls at the headquarters by way of segregation of duties of accounting staff, regular reconciliation with external records and cash payment controls.
- 4) Management has put in place appropriate operational and compliance controls at operational division levels.
- 5) Nothing has to be brought to the attention of the Audit Committee that the internal controls on the operation of the Group are not functioning in a sound and effective manner to safeguard the shareholders' investment and the Group's assets.



CORPORATE COMMUNICATIONS

The Company adopts a policy of disclosing relevant information to shareholders and the public in a timely manner.

- 1) The Company discloses information in the form of paid announcements in an English and a Chinese newspaper pursuant to the requirements of the Listing Rules.
- 2) The Company makes available the corporate information, including published announcements, circulars and financial reports on its corporate website to allow the investor community to have timely access to updated information about the Group.
- 3) Printed copies of the Annual and Interim Reports and Circulars are sent to all shareholders.
- 4) The Company's Annual General Meeting ("AGM") allows Directors to meet and communicate with shareholders.
- 5) Details of the voting procedures and the rights of shareholders to demand a poll are included in the circular to the shareholders dispatched together with the Annual Report.
- 6) The poll results are published in newspapers and on the Company's corporate website.

GENERAL MEETINGS

AGM proceedings are reviewed periodically to ensure that the Company follows best corporate governance practices. A Notice of AGM is sent to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures and other relevant information. The procedures for demanding and conducting a poll are explained during the meeting. Voting or poll results are released to the public in accordance with the then prevailing Listing Rules and are posted on the Company's and the Exchange's websites on the business day following the AGM.

Separate resolutions are proposed for each substantially separate issue by the Chairman and are voted on by poll at the AGM.

On behalf of the Board

Run Run Shaw

Executive Chairman

Hong Kong, 21 March 2007