

Chairman's Statement

2001 was a challenging year for TVB, and for the entire world. The economic downturn which began early in the year was severely exacerbated by the horrendous terrorist attacks in the USA. Economies and markets around the world were badly hit. Nevertheless, our company weathered the storm remarkably well.

Our revenues for the year were down marginally, a 6.5% reduction year-on-year. Profits came in at HK\$596 million, compared to reported profits of HK\$774 million in 2000 (after deducting extraordinary and non-recurring profit arising from the issuance of new shares in subsidiaries, the adjusted profits for 2000 amounted to HK\$645 million).

At the Company's Annual General Meeting, the directors will recommend a final dividend of HK\$0.75. Including the interim dividend of HK\$0.20 paid on 5 October 2001, the total dividend per share for the year will be HK\$0.95, the same as the previous year.

In Hong Kong, some segments of the ad market were particularly badly hit by the economic downturn and the 9/11 tragedy, but our sales were somewhat insulated against this effect due to our widely diversified base of advertisers. New sales initiatives gave us a larger slice of Hong Kong's overall advertising pie, though the size of the pie itself was reduced due to pressure on the economy.

Though the year was particularly competitive for us, our Jade Channel nevertheless earned an average weekday primetime audience share of 77%. As has long been our tradition, Jade Channel programmes were overwhelmingly popular with Hong Kong audiences throughout the year. Our English service, TVB Pearl, also delivered outstanding results for the year, with an average primetime audience share of 76%.

Our programme licensing and distribution operations, turning in double-digit growth, continued to deliver impressive performance in 2001, with major growth markets in Singapore, Malaysia and the USA. Our VCD licensing business also registered impressive growth.

Recovering from the depressive effects of regulations prohibiting primetime broadcast of imported programming, our China licensing business showed substantial improvement year-on-year. Our co-production activities in China continued to grow during the year. We anticipate that trend to continue.

Our overseas platforms in the USA, Australia and Europe made good progress during the year. The USA and European operations should reach breakeven in 2003.

Our Taiwan channel operations suffered a loss during the year primarily due to depressed economic conditions aggravated by two strong typhoons that struck the island and the 9/11 terrorist attacks. Our TVB8 Channel enjoyed substantially increased penetration in the mainland homes following the channel's decryption in April 2001. Subscriptions for the Xing He Channel have also continued to grow.

2001 was a year of change and progress for our Internet operations. In Hong Kong we downsized the operation dramatically and yet our website, <http://www.tvb.com>, continues to be one of the top two media content websites in Hong Kong. Our Shanghai-based Internet operations entered into a strategic partnership with Shanghai Telecom, which will become a 20% owner of our joint venture, Shanghai Jade Pearl Internet Technologies Limited (SJPIT). SJPIT will provide VOD content to Shanghai Telecom's broadband Internet subscribers.

Our prospects for the coming year are positive. As of this writing, our Jade Channel ratings and audience share figures have reached all-time highs. Our overseas platforms will continue to progress, and our channel operations in both the mainland and Taiwan should see improved results for 2002. Our licensing and distribution businesses continue to be a strong growth area.

Finally, I wish again to extend my sincere thanks to all our talented and hard-working TVB staff and artistes, who provide the foundation upon which the company's success and future prospects are built.

Run Run Shaw
Executive Chairman

Hong Kong, 27 March 2002