

CHAIRMAN'S STATEMENT



Reflecting continued general economic malaise in Hong Kong and around the world, 2002 was another challenging year for TVB. Nevertheless, though we are cautious in taking a more optimistic view for the future, we feel there are better days ahead.

While our local revenues from advertising sales were down approximately 12% year-on-year, much of the shortfall there was made up for by the continuing progress of our international businesses. Thus our 2002 consolidated revenues of HK\$3,162 million were down only 3% compared to the previous year, and our 2002 profits of HK\$590 million were almost the same as our 2001 profits of HK\$589 million (restated downward from HK\$596 million pursuant to the adoption of the new accounting standard (SSAP 34) issued by the Hong Kong Society of Accountants).

At the Company's Annual General Meeting, the directors will recommend a final dividend of HK\$0.75 per share. Including the interim dividend of HK\$0.20 per share, paid on 4 October 2002, the total dividend per share for the year will be HK\$0.95 the same as the previous year.

TVB's competitive positioning in Hong Kong's free-to-air market continues solid. In fact, our ratings and audience share are as strong

as they have ever been. Thus we are very well positioned to benefit from the improvement in the economy we and many other observers anticipate for 2003.

As noted, our international operations continue to increase their contributions to both our top and bottom lines. We expect this positive trend will continue in coming years resulting in greater diversification and reduced volatility of both our consolidated revenue and earnings.

Our international licensing operations, once again delivering very positive performance, continue to be a particularly bright spot in our results. We expect ongoing growth in this area of our business, though perhaps at somewhat less stellar rates in coming years.

After a period of intensive restructuring, our Taiwan operations turned around in 2002, delivered positive results in the second half of the year, and will make a significant contribution to consolidated profits in 2003. At the same time, results for our two satellite channels, TVB8 and Xing He, continue to improve.

Our overseas pay TV platforms continue to make overall progress. Most notably, in the USA we signed an agreement with DirecTV whereby they will handle the distribution of our USA service, giving us immediate access to the entire USA market and making possible a further increase in the already impressive growth of the USA subscriber base. In Europe we have just finished addressing a piracy problem that was retarding growth in our service there. The much-improved technology employed to combat this piracy encourages us in the belief that the problem won't reoccur anytime soon. Thus we anticipate an upswing in subscriber numbers there. In Australia, where progress has been slower than we would like, we are presently exploring ways to improve results.

CHAIRMAN'S STATEMENT (Continued)

In line with the trend of previous years, TVB's cooperative production activities in mainland China saw another year of growth in 2002. As the need for Mandarin language programming continues to increase throughout our international distribution system, we anticipate continued, steady growth in this area.

After several years of hard work planning the Galaxy pay TV project and searching in very difficult capital market conditions for a government-mandated investor, we were recently very pleased to announce the finalizing of an agreement with Intelsat, one of the world's pre-eminent telecommunications companies and a pioneer in the field of satellite-based communications. Intelsat is an ideal partner for TVB in the Galaxy project. We now look forward to launching by the year end of 2003 an attractively priced pay TV service that, drawing upon TVB programming resources, will respond more effectively and creatively to the television entertainment needs of Hong Kong pay TV viewers.

2003 is the year we will say good-bye to our long-time home at TV City in Clearwater Bay and complete our relocation to our new production and management center at the new TVB City in Tseung Kwan O. We look forward to the improved production capacity, production values and economies that this new, state-of-the-art, all digital facility will open to us.

Finally, as always, I cannot close my annual remarks without expressing my personal thanks for the vital contributions made to the Company by both management and staff during the challenging times we are passing through.

Run Run Shaw

Executive Chairman

Hong Kong, 26 March 2003