

CHAIRMAN'S STATEMENT



2003 was a rollercoaster year for the Hong Kong economy, and TVB was along for the ride. The early months of the year saw our business first muted by the war in Iraq, then hit by the outbreak of SARS. The recovery in the second half enabled us to make up lost ground on the revenue side, bringing total 2003 revenues back in line with 2002.

Our 2003 local advertising revenues were down modestly compared to 2002, but were buoyed by continued improving performance in our international businesses. As a result, consolidated revenues for 2003 actually increased about 5% compared to the previous year. Nevertheless, a significantly increased cost burden, made up largely of exceptional items, reduced our bottom line to HK\$441 million, a decrease of 25% compared to 2002.

At the Company's Annual General Meeting, the directors will recommend a final dividend of HK\$0.60 per share. Including the interim dividend of HK\$0.20 per share paid on 3 October 2003, the total dividend per share for the year will be HK\$0.80. While this is a decrease compared to last year's dividend, it represents a considerably higher payout ratio than in past years.

Continuing their trends of past years, our international businesses are all making steady and very satisfying progress, increasing their contributions to both revenue and earnings. We expect to see continued improvements across the board in these businesses in coming years.

TVB's international licensing operation, delivering a notable, year-on-year 11% increase in earnings, had one of its strongest growth years ever. We anticipate many more years of attractive growth in this part of our business.

2003 saw the first full-year, very positive impact of the restructuring of our Taiwan operations completed in mid-2002. From this new performance baseline, we look forward to further growth in coming years in Taiwan's very competitive market. The TVB8 and Xing He satellite channels substantially reduced their losses in 2003 and continue to move steadily toward profitability.

Our overseas pay TV platforms continue to make good progress. Confirming the wisdom of our partnership with DirecTV, our platform in the USA turned profitable late in 2003 and is growing rapidly. Our platforms in Europe and Australia are both making progress toward profitability and should reach breakeven in the next few years.

Continuing the growth of recent years, TVB's co-production activities in mainland China increased again in 2003. These important activities increase our presence in the mainland and add to the pool of programming available to our international licensing and distribution operations. We expect continued growth in this area.

Years of planning and hard work finally came to fruition recently when Galaxy Satellite Broadcasting Limited's pay TV service - exTV, was formally launched on 18 February 2004. We are very pleased with channel line-up offered by exTV, including the five Chinese channels supplied by TVB, and look forward to watching the progress of the project.

CHAIRMAN'S STATEMENT (Continued)

We are settled now in our new corporate home in TVB City. The exceptional expenses of 2003 are largely behind us, and the Hong Kong economy seems clearly on the upswing, boding well for our local advertising revenues. The outlook for our international businesses continues positive. We look forward to a better year in 2004.

Finally, once again, may I extend my personal thanks to all in the ranks of our talented and hardworking TVB staff for supporting us through another challenging year.

Run Run Shaw

Executive Chairman

Hong Kong, 17 March 2004