

## 31 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions, which are carried out in the normal course of the group's business:

- (a) On 1 January 1995, a non-wholly owned subsidiary of the company (SUB) and its minority shareholder (MI) entered into a distribution agreement under which the MI acted as the sole distributor of the SUB's cable channels in an overseas location, and responsible for collecting subscription fee on behalf of the SUB. The agreement was renewed for a period of three years from 1 March 1998 to grant the MI the right to broadcast the programmes produced by the SUB through independent cable operators' networks at a pre-determined fee. The total income earned by the MI during 2000 was HK\$8,634,000 (1999: HK\$8,126,000). On 16 November 2000, the agreement was renewed for a period of two years from 1 March 2001.
- (b) On 8 December 1999, a non-wholly owned subsidiary of the company (SUB) and its minority shareholder (MI) entered into an advertising agency agreement under which the SUB was appointed by the MI to act as a marketing agent to recruit advertisements for certain television channels operated by the MI in an overseas location from 1 July 1999 to 30 June 2000. On 16 November 2000, the SUB and MI entered into a new advertising agreement for one year from 1 July 2000. The income earned by the SUB during 2000 was HK\$16,348,000 (1999: HK\$11,924,000).
- (c) On 15 October 1996, a non-wholly owned subsidiary of the company (SUB) and its minority shareholder (MI) entered into a transmission service agreement under which the SUB provided the service of transmission of video taped television programmes supplied by the MI via satellites for broadcasting in an overseas location for a term of three years from 28 October 1996. The agreement was renewed for one year on the same terms from 28 October 1999 at a monthly service fee of approximately HK\$284,000. The fees received by the SUB during 2000 was HK\$2,838,000 (1999: HK\$3,492,000).
- (d) On 30 December 1995, a non-wholly owned subsidiary of the company (SUB) and its minority shareholder (MI) entered into a transmission service agreement under which the SUB provided the service of transmission of video taped television programmes supplied by the MI via satellite for broadcasting in an overseas location for a term of three years from 1 January 1996. The agreement was renewed on the same terms from 1 January 1999 to 27 October 2000 at a monthly service fee of approximately HK\$469,000. The fees received by the SUB during 2000 was HK\$4,692,000 (1999: HK\$5,774,000).
- (e) On 31 July 1998, a non-wholly owned subsidiary of the company (SUB) and its minority shareholder (MI) entered into an optical fibre agreement under which the MI provided its optical fibre networking service in an overseas location to the SUB for an initial term of one year from 1 August 1998. The agreement was subsequently extended for another year from 31 July 1999 on the same terms at a

monthly fee of approximately HK\$118,000 per line provided. The agreement will be automatically renewed annually unless terminated by notice prior to the expiry of the then current term. The fees paid by the SUB to the MI during 2000 amounted to HK\$13,176,000 (1999: HK\$13,231,000).

- (f) Two tenancy agreements were made between the company and a substantial shareholder (SI), dated 19 May 1997 and 15 December 1997 respectively whereby the SI granted to the company tenancies of certain office and car parking spaces situated at Shaw House, Lot 220 Clear Water Bay Road, Hong Kong. The term of the two tenancies commenced on 1 July 1997 and 1 November 1997 respectively and both will expire on 30 June 2005. The amount of rental paid during 2000 totalled HK\$17,732,000 (1999: HK\$17,732,000).
- (g) A production management agreement was made between the company and a substantial shareholder (SI) dated 5 May 1992 whereby the SI provided video production facilities to the company. The term of the agreement commenced on 1 February 1992 and expired on 31 January 1997. This agreement was subsequently extended to 31 January 2001. The amount of the production management fee paid during 2000 totalled HK\$5,345,000 (1999: HK\$5,345,000).
- (h) The minority shareholder (MI) of a non-wholly owned subsidiary of the company (SUB) licensed to the SUB the homevideo rental right in an overseas location. Under the agreement the license fee paid by the SUB to the MI during 2000 was HK\$6,953,000 (1999: HK\$14,200,000).
- (i) A wholly owned subsidiary of the company (SUB) entered into an agreement for one year commencing from 1 January 2000 to grant a company which has a common director of the minority shareholder of a non-wholly owned subsidiary of the company, the homevideo licensing and distribution rights of the company's programmes in an overseas location. The income received by the SUB during 2000 was HK\$1,368,000 (1999: HK\$28,212,000).
- (j) On 16 April 1999, a wholly owned subsidiary of the company (SUB) entered into a sub-lease agreement with the minority shareholder (MI) of a non-wholly owned subsidiary of the company to lease part of the satellite transponder capacity to the MI. The sub-lease agreement was superseded by a revised agreement dated 13 January 2000 pursuant to which the MI agreed to lease the satellite transponder capacity from 1 January 2000 to 31 March 2006. The fees received by the SUB during 2000 was HK\$13,879,000 (1999: nil).
- (k) On 30 June 2000, a wholly owned subsidiary of the company (SUB) entered into a master production agreement with the minority shareholder (MI) of a non-wholly owned subsidiary of the company to produce certain films/programmes in Mandarin language for the MI for a period of one year from 1 July 1999. The agreement was renewed for another year from 1 July 2000. The fees received by the SUB from the MI during 2000 was HK\$12,466,000 (1999: HK\$12,969,000).

- (l) A non-wholly owned subsidiary of the company (SUB) entered into various agreements with a jointly controlled entity (JCE) to provide satellite transmission service to the SUB. The service fees paid by the SUB to the JCE during 2000 was HK\$10,680,000 (1999: HK\$11,554,000).
- (m) A non-wholly owned subsidiary of the company (SUB) was appointed by its associated company (ASSO) to be the advertising agent to recruit advertisements in the magazine published by the ASSO in an overseas location, whereby the SUB received an agreed percentage of the advertising revenue. The income received by the SUB during 2000 was HK\$5,660,000 (1999: HK\$4,212,000).
- (n) Since October 1995, a wholly owned subsidiary of the company (SUB) has entered into an arrangement with the minority shareholder of a non-wholly owned subsidiary of the company (MI) in connection with the supply of programmes by the SUB to the MI for distribution in certain overseas locations. The total income earned by the SUB during 2000 was HK\$46,696,000 (1999: HK\$33,968,000).
- (o) On 8 October 1995, a wholly owned subsidiary of the company (SUB) entered into an agreement with the minority shareholder of a non-wholly owned subsidiary of the company (MI) in respect of the provision of technical, management, sales and marketing services by the SUB to the MI. The income earned by the SUB during 2000 was HK\$12,461,000 (1999: HK\$7,090,000).

Apart from the above, other related party transactions, the amounts of which involved were not significant to the group, include:

- Rental income from leasing of production spaces and facilities,
- Income from licensing of telecast and movie rights,
- Income from production of television programmes,
- Advertising and agency income,
- Income from providing services for programme productions,
- Expense on production of television programmes,
- Purchase of film rights,
- Purchase of transmission equipment and cassette tapes, and
- Sale and purchase of other fixed assets.

## **32 SUBSEQUENT EVENTS**

- (a) In relation to the dispute between the company and the Composers and Authors Society of Hong Kong Limited (CASH) with respect to the basis for determining annual licence fee payable to CASH for the performing rights controlled and administered by CASH, a settlement was reached in early February 2001 prior to the hearing by the Copyright Tribunal. Under the terms of the settlement, the company has to pay a fixed sum of licence fee for the performing rights to the extent of HK\$17,385,000 per annum commencing from year 2000 for a period of five years and the amount will be adjusted each year with reference to the increment of Hang Seng Consumer Price Index plus 2%. In 2000, the company has paid an interim licence fee to CASH with a sum of HK\$19,772,000 (1999: HK\$19,772,000).

- (b) On 29 March 2000, the company, Measat Broadcast Network Systems Sdn. Bhd. (MBNS), Astro Broadcast Corporation (BVI) Ltd. (Astro), and Galaxy Satellite Broadcasting Limited (Galaxy), a wholly owned subsidiary of the company, entered into a Joint Venture Agreement whereby Astro agreed to subscribe up to 40% equity interest in Galaxy subject to certain conditions precedent. On the same date, the company, MBNS, Astro, iTVB Limited, a wholly owned subsidiary of the company, Measat Broadcast Network Systems (BVI) Ltd., Home Net N.V. and Pacific Investments (BVI) Limited entered into the GEM Agreement relating to the establishment of a new company to acquire the entire issued share capitals of TVB.COM Limited (TVB.COM), a non-wholly owned subsidiary of the company, Galaxy and Celestial Pictures Limited (Celestial), formerly East Asia Filmed Entertainment Limited, and to seek the listing of the new company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited subject to certain conditions precedent.

Further to the above announcements, the company announced on 29 March 2001 that:

- The proposed minority shareholder in Galaxy, Astro and its affiliate or nominee, has indicated that as some of the pre-conditions in the Joint Venture Agreement are still pending, hence it will not proceed to complete its subscription for shares in Galaxy at the present time pursuant to the Joint Venture Agreement. Galaxy was granted the Domestic Pay Television Programme Service Licence (Pay TV Licence) by the Government on 5 December 2000.
- As a consequence of the above, the funding to Galaxy has been delayed and Galaxy has not met the original deadline for submission of the performance bond as required under the Pay TV Licence. The discussions with the Government concerning this matter are currently in progress. Failure to provide or maintain the performance bond in accordance with the terms of the Pay TV Licence could result in the revocation of the Pay TV Licence, and/or the imposition of limited financial penalties.
- The plan (as described in the GEM Agreement) to establish a listing vehicle for the purpose of acquiring and holding all the issued shares in Galaxy, TVB.COM and Celestial is being put on hold.
- If the Joint Venture Agreement and/or the GEM Agreement cannot be completed, and/or if the Pay TV Licence is revoked, Galaxy will continue with its existing business of satellite signal transmission services and it is not expected to have any material impact on the company or Galaxy.

### **33 APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 11 April 2001.