

- k) LYP has obtained licenses from various independent news agencies to use their respective news reports for television broadcast in Taiwan. Since 19 June 2000, LYP has sub-licensed its right to use such news reports to Era for television broadcast in Taiwan on the channels owned by Era at a fee based on the actual usage and the fees payable to the news agencies by LYP. The transactions under the sub-license arrangement take place on a continuing basis from year to year. The fee received by LYP from Era during 2001 was HK\$1,538,000 (NT\$7,188,000).

The directors, including all the independent non-executive directors, have reviewed the above transactions described in paragraph (a) to (k) above and confirmed that these transactions have been entered into by the Company in the ordinary and usual course of business, conducted on normal commercial terms or on terms that are fair and reasonable so far as the shareholders are concerned, and were entered into in accordance with the relevant arrangements or were entered into on terms no less favourable than those available to, or from independent third parties and the aggregate amount of each transaction for 2001 has not exceeded the relevant cap amount for each transaction as set out in the conditional waivers granted by the Stock Exchange.

The Company's auditors have also reviewed the above transactions described in paragraphs (a) to (k) and confirmed in its letter to the directors that:

- (i) the transactions have received the approval of the Company's board of directors;
  - (ii) the transactions are in accordance with the pricing policies as laid down in the relevant agreements and documents;
  - (iii) the transactions have been entered into in accordance with the terms of the agreements governing the transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
  - (iv) the cap amount for each transaction has not been exceeded.
- 2) On 4 October 1994, a corporate guarantee of HK\$7,865,000 (NT\$36,750,000) was provided by the Company to a bank in proportion to its shareholding in LYP in connection with the granting of banking facilities of HK\$11,235,000 (NT\$52,500,000) to LYP. The banking facilities were fully utilized by LYP at the balance sheet date.
- 3) On 25 November 1997, a corporate guarantee of HK\$62,219,000 (GBP5,500,000) was provided by the Company to a bank in connection with the granting of banking facilities to the Company's non-wholly owned subsidiary, CC Decoders Limited (CCD). Indemnities from the minority shareholder of CCD totalled HK\$24,888,000 (GBP2,200,000) were granted to the Company with an effect to share the liability under the corporate guarantee in proportion to its respective shareholding in CCD at the time when the guarantee was provided. At the balance sheet date, the total amount of banking facilities drawn down was HK\$38,188,000 (GBP3,376,000).

- 4) On 19 May 1998, a corporate guarantee of HK\$74,900,000 (NT\$350,000,000) was provided by the Company to a bank in proportion to its shareholding in LYP in connection with the granting of banking facilities of HK\$107,000,000 (NT\$500,000,000) to LYP. The balance of the banking facilities of HK\$32,100,000 (NT\$150,000,000) was guaranteed by Era. At the balance sheet date, the total amount of banking facilities drawn down was HK\$72,586,000 (NT\$339,188,000).
- 5) On 3 December 1998, a deed of variation to the joint venture agreement of 1995 was entered into by the joint venture parties, whereby TVB (Overseas) Limited (TVBO), a wholly owned subsidiary of the Company, granted to The Chinese Channel (Holdings) Limited (TCCH), a non-wholly owned subsidiary of the Company, a loan of HK\$40,046,000 (GBP3,540,000) subject to interest rate of 2% per annum above the London Inter-bank Offered Rate (LIBOR).

TVBO and the minority shareholder of TCCH also granted non-interest bearing loan to TCCH for the purpose of providing working capital in proportion to its respective shareholding in TCCH. On 1 January 2000, as agreed between the shareholders of TCCH, TVBO converted an amount of HK\$21,765,000 (GBP1,924,000) debts due from TCCH into interest bearing loan. The loan is subject to interest rate at Hong Kong prime rate plus 0.5% per annum. As agreed with the minority shareholder, on 1 November 2001, TVBO again converted an amount of HK\$42,422,000 (GBP3,750,000) debts due from TCCH into interest bearing loan. The loan is subject to interest rate at 2% per annum above LIBOR.

The amount of the three interest bearing loans at the balance sheet date totalled HK\$104,233,000 (GBP9,214,000). The amount of non-interest bearing loan due to TVBO at the balance sheet date was HK\$32,363,000 (GBP2,861,000).

- 6) Pursuant to a joint venture agreement dated 11 November 1999, Measat Broadcast Network Systems (BVI) Ltd. (MBNS(BVI)) and Home Net N.V. (HomeNet) were required to subscribe additional shares in TVBPH on or before 21 February 2001. Before the subscription of additional shares, MBNS(BVI) and HomeNet respectively held 16.67% and 5.55% of the issued share capital of TVBPH. The shareholders of TVBPH agreed to the postponement of MBNS(BVI) and HomeNet to subscribe for the additional shares pending the review of the business plan and strategic direction of TVBPH. The additional shares were subsequently allotted to MBNS(BVI) and HomeNet as unpaid shares without any voting or dividend rights attached on or before 30 November 2001 to put in place the agreed shareholding interests of MBNS(BVI) and HomeNet in TVBPH being 20% and 10% respectively.
- 7) On 16 November 2000, LYP and Era entered into an advertising agreement for one year from 1 July 2000, whereby LYP was appointed by Era to act as a marketing agent to recruit advertisements for certain television channels operated by Era in Taiwan. The income earned by LYP from 1 January to 30 June 2001 was HK\$5,565,000 (NT\$26,004,000).

- 8) On 10 April 2001, LYP entered into an agreement with Era for the period from 28 October 2000 to 31 December 2001 in respect of the provision of satellite equipment and technical services by LYP to Era and the provision of satellite relay programme services by Era to LYP in Taiwan. Pursuant to the agreement, Era agrees to pay a monthly fee of HK\$1,229,000 (NT\$5,743,000) whereas LYP agrees to pay a monthly fee of HK\$611,000 (NT\$2,857,000). The fees are exclusive of 5% sales tax. During 2001, the fee received by LYP from Era was HK\$14,748,000 (NT\$68,918,000) and the amount paid by LYP to Era was HK\$7,337,000 (NT\$34,286,000). On 27 December 2001, the parties renewed the agreement for one year from 1 January 2002 on the same terms and conditions.
- 9) On 26 July 2001, LYP entered into an optical fibre agreement with Era, whereby Era provided to LYP its optical fibre networking service in Taiwan for a period of eleven months from 1 August 2001. Pursuant to the agreement, Era provides 14 lines of optic fibre to LYP at a monthly fee of HK\$48,000 (NT\$224,490) (exclusive of sales tax) per line provided. The fee paid by LYP to Era from 1 August to 31 December 2001 was HK\$3,261,000 (NT\$15,238,000).
- 10) On 1 July 1999, LYP and Interface Company Ltd. (Interface) entered into an agreement, whereby Interface appointed LYP as its advertising agent from 1 July 1999 to 31 December 1999 for recruiting advertisements for printed publications published and distributed by Interface and responsible for business planning. As a result of the change of Rule 26.1 on the Code of Takeovers and Mergers on 19 October 2001, Interface becomes an associate of Era. Hence, Interface is a connected person of the Company. On 1 February 2001, the parties entered into another agreement on the same terms and conditions for two years from 1 January 2000. Under the agreement, LYP agreed to collect on behalf of Interface advertising fees payable by independent advertisers arising from advertisements placed through LYP in printed publications distributed by Interface. In return, LYP will deduct 15% of the advertising fees as commission and pay the balance to Interface on a monthly basis. It is agreed between the parties that LYP shall not receive any commission for the advertisements paid by non-cash consideration. The amount received by LYP from 19 October to 31 December 2001 was HK\$1,780,000 (NT\$8,318,000). The parties have agreed to renew the aforementioned arrangement on the same terms and conditions for another year from 1 January 2002.
- 11) On 16 April 1999, TVBI Company Limited (TVBI), a wholly owned subsidiary of the Company, entered into a sub-lease agreement with Era to lease part of the satellite transponder capacity to Era. The sub-lease agreement was superseded by a revised agreement dated 13 January 2000 varying the contract period and the monthly fee. On 28 April 2001, TVBI and Era entered into a supplemental agreement to the revised agreement, pursuant to which the parties agreed that the transponder capacity leased from TVBI to Era will be reduced from 27MHZ to 13.5MHZ as from 1 March 2001. Accordingly, the monthly fee payable by Era to TVBI was reduced from US\$148,291 to US\$93,082.50 (HK\$726,044) from 1 March 2001 to 30 November 2001, US\$148,308.36 to US\$93,099.86 (HK\$726,178) from 1 December 2001 to 31 December 2001, and US\$110,417 to US\$55,208.50 (HK\$430,626) from 1 January 2002 to 31 March 2006. The reduction was mutually agreed and therefore no penalty was being imposed on Era. The fees received by TVBI from Era during 2001 was HK\$9,571,000 (US\$1,227,000).