

- 12) On 30 June 2000, TVBO entered into a master production agreement with Era, to produce certain films/programmes for Era for a period of one year from 1 July 1999. On 5 January 2001, both parties agreed to renew the agreement for another one year from 1 July 2000 on the same terms and conditions except that the right of Era in exploiting the films/programmes was extended to video compact disc format. The fees received by TVBO from Era during 2001 was HK\$5,656,000 (NT\$26,430,000).
- 13) On 8 October 1995, TVBO entered into agreements with Measat Broadcast Network Systems Sdn. Bhd. (MBNS), an associate of the minority shareholder of one of the company's non-wholly owned subsidiaries, in respect of technical and management support and sales and marketing support by TVBO to MBNS. On 30 May 2001, TVBO entered into the supplemental agreement with MBNS to extend the terms of the agreements to cover the new channel acquired by MBNS and All Asia Programming Systems (BVI) Ltd. (AAPS), a wholly owned subsidiary of MBNS. The income accrued by TVBO during 2001 was HK\$11,730,000.
- 14) On 7 October 1995, TVBO entered into a main supply agreement with AAPS for the supply of programming by TVBO for distribution by AAPS. On 8 October 1995, TVBO entered into a sub-license agreement with MBNS and AAPS where AAPS sub-licensed the programming to MBNS. On 8 December 1997, supplemental agreements were entered into between the parties to supplement the then arrangement. On 30 May 2001, TVBO entered into the letter agreement with AAPS and MBNS, pursuant to which various amendments were made to the terms of the agreements including the fees payable, the extension of licensed territories for distribution to Brunei, certain arrangements in relation to subscription by hotel and commercial establishments and the replacement of programming. The income accrued by TVBO during 2001 was HK\$38,403,000.
- 15) On 30 May 2001, TVBO entered into an agreement with MBNS and AAPS for supplying the TVBS-Asia Channel to AAPS (which then sub-licensed to MBNS) for distribution in Malaysia and Brunei by MBNS for the period from 1 November 1999 to 30 September 2001. The income accrued by TVBO during 2001 was HK\$14,748,000.
- 16) On 30 September 2001, TVBI and TVB Satellite TV Entertainment Limited (TVBSE), both are wholly owned subsidiaries of the Company, entered into a conditional deal memorandum with MBNS in relation to (i) the granting by TVBI to MBNS of subscription television distribution rights in relation to certain Chinese language programming for distribution in Malaysia and Brunei and (ii) the provision of services by TVBSE to MBNS in relation to the selling of advertising and sponsorship on certain television channels for a period of three years from 1 October 2001. MBNS may sub-license such distribution rights to its affiliates or related companies. The income earned by TVBI and TVBSE during 2001 was HK\$24,518,000.

As required by the Listing Rules, the deal memorandum is conditional upon approval by the independent shareholders. The Company is having different views on the commercial sensitive information to be contained in the circular to the shareholders and appealed to the Listing Committee of the Stock Exchange. No decision has yet been made. The

Company has made appropriate press announcements for the extension of time for the despatch of circular.

### **USE OF PROCEEDS**

The Company received net proceeds of HK\$603 million by a placing of 4.87% shares on 30 April 1999 and a subscription of 20,355,000 new shares on 4 May 1999. During the year, sums totalling HK\$323 million were withdrawn from the fund for payment of construction work of the New TV City Project. As at 31 December 2001, the fund showed a balance of HK\$280 million represented by bank deposits and gilt-edged bonds maturing in late March 2002.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares during the year.

### **MAJOR SUPPLIERS AND CUSTOMERS**

During the year, the percentages of the Group's purchases and sales attributable to its five largest suppliers and five largest customers are both less than 30%.

### **CORPORATE GOVERNANCE**

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the year, save that independent non-executive directors who have not been appointed for a specific term are subject to retirement by rotation as specified by the Company's Articles of Association.

### **AUDIT COMMITTEE**

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, an Audit Committee was established on 1 January 1999 with written terms of reference adopted from "A Guide For The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of external audit and of internal controls and risk evaluation. The Committee now comprises two independent non-executive directors, namely Mr. Lee Jung Sen and Dr. Li Dak Sum. Two meetings were held during the current financial year.

**AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment. PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board

**Run Run Shaw**

Executive Chairman

Hong Kong, 27 March 2002