

32 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) Since 5 May 1992, Shaw Brothers (Hong Kong) Limited (Shaw), a substantial shareholder of the company, has been providing certain production facilities to the company under a production management agreement. On 31 January 2001, the company and Shaw entered into a new production management agreement for a term of two years from 1 February 2001 to 31 January 2003 at a monthly fee of HK\$445,000. The amount paid by the company during 2001 was HK\$5,345,000 (2000: HK\$5,345,000). In addition, an amount of HK\$89,000 (2000: HK\$98,000) was paid by the company to Shaw during 2001 as a reimbursement of the government rates in respect of the production facilities.
- (b) On 19 May 1997 and 15 December 1997, the company and Shaw entered into separate tenancy agreements, whereby Shaw granted to the company tenancies of certain office and car parking spaces. 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 by the company during 2001 was HK\$17,732,000 (2000: HK\$17,732,000).
- (c) On 30 March 2001, the company entered into a Letter of Intent with Chevalier (Network Solutions) Limited (CNSL). The controlling shareholder of the holding company of CNSL is also a director of the company. The Letter of Intent was in relation to the supply, installation and maintenance of the private automatic branch exchange system and structured cabling network by CNSL at the new TV City of the company at a lump sum fee of HK\$20,526,000, which shall be settled by way of installments. The formal contract containing the terms as stated in the Letter of Intent was signed in November 2001. The amount paid by the company during 2001 was HK\$1,328,000 (2000: nil).
- (d) On 1 January 1995, Liann Yee Production Co. Ltd. (LYP), a non-wholly owned subsidiary of the company, and Era Communications Co. Ltd. (Era), the minority shareholder of LYP, entered into a distribution agreement, whereby Era acted as the sole distributor of LYP's cable channels in Taiwan and was responsible for collecting the income generated from broadcast of LYP's television programmes on behalf of LYP. On 28 February 1998, the agreement was renewed for a period of three years from 1 March 1998. On 16 November 2000, the agreement was again renewed for a period of two years from 1 March 2001. The fee paid by LYP during 2001 was HK\$7,133,000 (2000: HK\$8,634,000).
- (e) Since 1995, Era has been placing advertisements on the cable television channels operated by LYP, as well as the channels or magazines of which LYP was appointed as an agent for recruiting advertisements. The amount received by LYP during 2001 was HK\$7,364,000 (2000: HK\$10,324,000).

- (f) Since 1995, LYP has represented Era as a marketing agent to recruit advertisements for certain television channels operated by Era in Taiwan. On 16 November 2000, the agreement was renewed for one year from 1 July 2000. On 12 July 2001, the parties renewed the arrangement for another year from 1 July 2001. Under the agreement, LYP will deduct 15% of the gross advertising income payable by third party advertisers arising from advertisements placed through LYP on the channels operated by Era as commission and pay the balance to Era 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 during 2001 was HK\$9,734,000 (2000: HK\$ 16,348,000).
- (g) On 31 July 1998, LYP entered into an optical fibre agreement with Era, whereby Era provided to LYP its optical fibre networking service in Taiwan at a monthly fee of HK\$102,000 (exclusive of sales tax) per line provided. The arrangement was from 1 August 1998 to 31 July 2001. On 26 July 2001, the agreement was renewed for a period of eleven months from 1 August 2001. Pursuant to the new agreement, Era provides 14 lines of optic fibre to LYP at a monthly fee of HK\$48,000 (exclusive of sales tax) per line provided. The fee paid by LYP to Era during 2001 was HK\$9,681,000 (2000: HK\$13,176,000).
- (h) 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 whereas LYP agrees to pay a monthly fee of HK\$611,000. The fees are exclusive of 5% sales tax. During 2001, the fee received by LYP was HK\$14,748,000 (2000: HK\$2,852,000) and the amount paid by LYP to Era was HK\$7,337,000 (2000: HK\$1,419,000).
- (i) LYP was appointed by its associated company, Interface Company Ltd. (Interface) to be the advertising agent to recruit advertisements in the magazine published by Interface in Taiwan, whereby LYP received an agreed percentage of the advertising revenue. The income received by LYP during 2001 was HK\$7,761,000 (2000: HK\$5,660,000).
- (j) LYP entered into various agreements with a jointly controlled entity, Hsin Chi Broadcast Co. Ltd. (HCB) to provide satellite transmission service to LYP. The service fees paid by LYP to HCB during 2001 was HK\$9,692,000 (2000: HK\$10,680,000).
- (k) 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 as from 1 March 2001. 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 (2000: HK\$13,879,000).

- (l) On 30 June 2000, TVB (Overseas) Limited (TVBO), a wholly owned subsidiary of the company, 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 (2000: HK\$12,466,000).
- (m) 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 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 (2000: HK\$12,461,000).
- (n) On 7 October 1995, TVBO entered into a main supply agreement with AAPS for the supply of programming by TVBO for distribution by AAPS in Malaysia. 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, 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 (2000: HK\$30,528,000).
- (o) On 30 May 2001, TVBO entered into agreement with MBNS and AAPS for supplying a channel to AAPS (which then sub-licensed to MBNS) in Malaysia and Brunei. The income accrued by the TVBO during 2001 was HK\$14,748,000 (2000: HK\$16,168,000).
- (p) 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 the 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 (2000: nil).

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 office spaces and facilities,
- Income from sub-licensing of news reports rights,
- Income from production of television programmes,
- Advertising and agency income,
- Expense on licensing of film rights,
- Rental expense on leasing of production spaces,
- Expense on production of television programmes,
- Expense on maintenance and other related service, and
- Purchase of film rights.

33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 27 March 2002.