

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

17 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 the six months ended 30 June 2002 was HK\$2,673,000 (2001: HK\$2,673,000). In addition, an amount of HK\$44,000 (2001: HK\$42,000) was paid by the company to Shaw during the six months ended 30 June 2002 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 the six months ended 30 June 2002 was HK\$8,866,000 (2001: HK\$8,866,000).
- (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 the six months ended 30 June 2002 was HK\$6,549,000 (2001: nil).
- (d) Era Films (Hong Kong) Limited (Era Films) through its agent, Red River Agents Limited (Red River), has purchased from the company advertising airtime available on the company's channels in Hong Kong subject to terms and conditions set out in the rate card published by the company to all advertisers from time to time. Both Era Films and Red River are associates of Era Communications Co. Ltd. (Era), which is a minority shareholder of Liann Yee Production Co. Ltd. (LYP), a non-wholly owned subsidiary of the company. During the six months ended 30 June 2002, the income accrued by the company by selling advertising airtime to Era Films was HK\$1,391,000 (2001: HK\$302,000).
- (e) Since 1 January 1995, Era has been acting as the sole distributor of LYP's cable channels in Taiwan and is responsible for collecting the income generated from broadcast of LYP's television programmes on behalf of LYP. On 16 November 2000, the parties renewed the distribution agreement for a period of two years from 1 March 2001. On 13 March 2002, LYP and Era entered into a supplemental agreement to the distribution agreement varying the amount of commission payable by LYP to Era as from 1 January 2002. The fee paid by LYP to Era during the six months ended 30 June 2002 was HK\$5,383,000 (2001: HK\$4,259,000).
- (f) 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 has been appointed as an agent for recruiting advertisements. The amount received by LYP during the six months ended 30 June 2002 was HK\$2,973,000 (2001: HK\$5,141,000).