

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

17 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (g) Since 1995, LYP has been representing Era as a marketing agent to recruit advertisements for certain television channels operated by Era in Taiwan. On 12 July 2001, the parties renewed the agreement for one year from 1 July 2001. Under the agreement, LYP would 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 was agreed between the parties that LYP would not receive any commission for the advertisements paid by non-cash consideration. The amount (before volume rebates) received by LYP during the six months ended 30 June 2002 was HK\$20,535,000 (2001:HK\$17,321,000). The volume rebates paid by LYP to third party advertisers was HK\$20,841,000 (2001: HK\$11,340,000).
- (h) Since 1 August 1998, Era has been providing LYP with optical fibre networking service in Taiwan. On 27 July 2001, the parties renewed the agreement for a period of eleven months from 1 August 2001. Pursuant to the new agreement, Era would provide 14 lines of optic fibre to LYP at a monthly fee of HK\$48,000 (exclusive of sales tax) per line. The fee paid by LYP to Era during the six months ended 30 June 2002 was HK\$4,134,000 (2001: HK\$5,914,000).
- (i) LYP has obtained licenses from various independent news agencies to use their respective 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 actual usage and the fee payable to the news agencies by LYP. The fee charged by LYP to Era during the six months ended 30 June 2002 was HK\$470,000 (2001: HK\$807,000).
- (j) Since 28 October 2000, LYP has been providing Era with satellite equipment and technical services in Taiwan at a monthly fee of HK\$1,229,000 and Era has been providing LYP with satellite relay programme services in Taiwan at a monthly fee of HK\$611,000. The fees were exclusive of 5% sales tax. On 27 December 2001, the parties renewed the agreement for one year from 1 January 2002 on the same terms and conditions. During the six months ended 30 June 2002 the fee received by LYP from Era was HK\$7,790,000 (2001: HK\$7,926,000) and the amount paid by LYP to Era was HK\$3,875,000 (2001: HK\$3,943,000).
- (k) Since 1 July 1999, LYP has been acting as the advertising agent of its associated company, Interface Company Limited (Interface) to recruit advertisements in the magazine published and distributed by Interface and responsible for business planning in Taiwan, whereby LYP received an agreed percentage of the advertising revenue as commission. On 11 April 2002, the parties renewed the agreement for one year from 1 January 2002 on the same terms and conditions. The income received by LYP during the six months ended 30 June 2002 was HK\$4,319,000 (2001: HK\$2,467,000).
- (l) 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 the six months ended 30 June 2002 was HK\$5,105,000 (2001: HK\$5,193,000).
- (m) On 16 April 1999, TVBI Company Limited (TVBI), a wholly owned subsidiary of the company, agreed to sub-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 monthly fee and the contract period to commence on 1 January 2000 and expire on 31 March 2006. 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 would be reduced as from 1 March 2001. The fee received by TVBI from Era during the six months ended 30 June 2002 was HK\$2,584,000 (2001: HK\$5,218,000).

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

17 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (n) 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 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 programmes was extended to video compact disc format. The fees received by TVBO from Era during the six months ended 30 June 2002 was nil (2001: HK\$6,079,000).
- (o) 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 for the period from 1 October 1996 to 30 September 2001. On 30 May 2001, TVBO entered into a supplemental agreement with MBNS to extend the terms of the agreements to cover a 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 the six months ended 30 June 2002 was nil (2001: HK\$7,677,000).
- (p) 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 for the period from 1 October 1996 to 30 September 2001. 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 the six months ended 30 June 2002 was nil (2001: HK\$8,695,000).
- (q) On 30 May 2001, TVBO entered into an agreement with MBNS and AAPS for supplying a channel to AAPS (which then sub-licensed to MBNS) for distribution in Malaysia and Brunei for the period from 1 November 1999 to 30 September 2001. The income accrued by TVBO during the six months ended 30 June 2002 was nil (2001: HK\$9,424,000).
- (r) 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 agreement was mutually terminated with effect from 16 April 2002. The income accrued by TVBI and TVBSE during the six months ended 30 June 2002 was HK\$32,828,000 (2001: nil).
- (s) On 21 May 2002, TVBI and MBNS entered into a deal memorandum, pursuant to which TVBI would license television programmes to MBNS as part of the programmes line up of a channel owned and operated by MBNS for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. The income accrued by TVBI during the six months ended 30 June 2002 was HK\$ 11,749,000 (2001: nil).
- (t) On 25 June 2002, TVBI, acting as an agent of LYP, entered into a deal memorandum with MBNS for the grant of broadcast right in respect of a Mandarin language channel for the pay television services operated by MBNS and its affiliated company for the period from 16 April 2002 to 30 September 2004 on an exclusive basis in Malaysia and Brunei. The income accrued by LYP during the six months ended 30 June 2002 was HK\$4,606,000 (2001: nil).

NOTES TO CONDENSED INTERIM ACCOUNTS (Continued)

17 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (u) On 26 June 2002, TVBSE entered into a deal memorandum with MBNS for the supply of two Mandarin language channels to MBNS for broadcast on the pay television services of MBNS and its affiliated company from 16 April 2002 to 30 September 2004 in Malaysia and Brunei. The income accrued by TVBSE during the six months ended 30 June 2002 was HK\$1,101,000 (2001: nil).

- (v) On 8 July 2002, TVBSE and MBNS entered into an agreement pursuant to which MBNS appointed TVBSE as its advertising agent responsible for advertisement and sponsorship sales of certain channels in Malaysia and Brunei for the period from 16 April 2002 to 30 September 2004. The income accrued by TVBSE during the six months ended 30 June 2002 was HK\$5,065,000 (2001: nil).

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

- Rental income from leasing of facilities and office premises,
- Income from providing the use of information system,
- Expenses on licensing of film rights, and
- Rental expense on leasing of production spaces.