

REPORT OF THE DIRECTORS (Continued)

As at 31 December 2002 the beneficial interests of the directors and chief executive in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:-

	No. of Ordinary Shares of HK\$0.05 each	Nature of Interest
Sir Run Run Shaw (*) (Note)	141,174,828	Corporate
Chow Yei Ching	100,000	Personal
Mona Fong	1,146,000	Personal
Christina Lee Look Ngan Kwan	{ 16,701,000	Corporate
	602,144	Personal
Lee Jung Sen	1,262,415	Personal
Li Dak Sum	200,000	Corporate
Kevin Lo Chung Ping	Nil	
Louis Page	1,000,000	Personal
Chien Lee	600,000	Personal
Anthony Hsien Pin Lee	Nil	

Note : For the avoidance of doubt and double counting, it should be noted that duplication of shareholdings occurred between parties (*) shown above and below under "Substantial Shareholders".

The above corporate interests in which the directors and chief executive are taken to be interested are the interests of corporations where the directors and chief executive were either entitled to exercise (or were taken under the Securities (Disclosure of Interests) Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations. Other than the above stated interests, none of the directors and chief executive have any other interests.

The Company or its subsidiaries did not grant to the directors or chief executive or their spouse or children under 18 years of age any rights to subscribe for shares or debentures of the Company or any other body corporate.

Apart from the above, no interests were held or deemed or taken (under the Securities (Disclosure of Interests) Ordinance) to be held by any directors or chief executive of the Company in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as at 31 December 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, apart from those disclosed above in respect of the director marked (*) and chief executive, the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

	No. of Ordinary Shares of HK\$0.05 each
Shaw Brothers (Hong Kong) Limited (*) (Note)	113,888,628

Note : For the avoidance of doubt and double counting, it should be noted that duplication of shareholdings occurred between parties (*) shown here and above under "Directors Interests".

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Save for the shares referred to above, no other person was recorded in the register kept pursuant to Section 16 of the Securities (Disclosure of Interests) Ordinance as having an interest representing 10% or more of the issued share capital of the Company as at 31 December 2002.

CONNECTED TRANSACTIONS

- 1) The following transactions constitute connected transactions of the Company to which conditional waivers have been granted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):-
 - 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 2002 was HK\$5,345,000. In addition, an amount of HK\$88,000 was paid by the Company to Shaw during 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 situated at Shaw House, Lot 220 Clear Water Bay Road, Kowloon, Hong Kong. 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 during 2002 was HK\$17,732,000.
 - c) On 30 March 2001, the Company entered into a Letter of Intent with Chevalier (Network Solutions) Limited (“CNSL”), in relation to the supply, installation and maintenance of the private automatic branch exchange (PABX) system and structured cabling network by CNSL at the new TVB City of the Company at a lump sum fee of HK\$20,526,000, which is to be settled by way of installments. CNSL is an associate of a director of the Company, hence CNSL is a connected person of the Company. 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 2002 was HK\$8,664,000.
 - 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 substantial shareholder of Liann Yee Production Co. Ltd. (“LYP”), a non-wholly owned subsidiary of the Company, hence Era Films and Red River are connected persons of the Company. The income accrued by the Company from selling advertising airtime to Era Films during 2002 was HK\$ 1,766,000.
 - e) Sharp-Roxy (HK) Limited (“Sharp-Roxy”) through its agents, Thematic Advertising Limited and Standard Advertising HK Limited (both are independent third party and not connected with the Company), 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. Sharp-Roxy is an associate of a director of the Company, hence Sharp-Roxy is a connected person of the Company. The income accrued by the Company from selling advertising airtime to Sharp-Roxy during 2002 was HK\$ 1,926,000.
 - f) Since 1 January 1995, LYP and Era have 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 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 2002 was HK\$10,769,000 (NT\$47,619,000).

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- g) 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 2002 was HK\$2,921,000 (NT\$12,915,000).
- h) Since 1995, LYP has been acting as the marketing agent of Era in recruiting advertisements for certain television channels operated by Era in Taiwan. On 12 July 2001, the parties renewed the arrangement for another 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 2002 was HK\$19,681,000 (NT\$87,024,000). The volume rebates paid by LYP to third party advertisers during 2002 was HK\$20,340,000 (NT\$89,938,000).
- i) Since 1995, Era has been licensing various programmes to LYP for broadcast on LYP's cable television channels. The amount that LYP paid to Era during 2002 was HK\$1,329,000 (NT\$5,878,000).
- j) Since 1995, LYP has been appointing Era to produce programmes for LYP's use. As no programme was produced by Era for LYP in 2002, hence no fee was paid by LYP to Era during 2002.
- 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 charged by LYP to Era during 2002 was HK\$979,000 (NT\$4,327,000).
- l) Since 1 July 1999, LYP has been acting as the advertising agent of Interface Co. Ltd. ("Interface") to recruit advertisements in the printed publications published and distributed by Interface and be responsible for business planning in Taiwan, pursuant to which LYP received an agreed percentage of the advertising revenue net of monetary equivalent of advertisements which were paid by non-cash consideration as commission. Interface is an associate of Era, hence Interface is a connected person of the Company. 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 2002 was HK\$5,849,000 (NT\$25,863,000).
- m) On 21 May 2002, TVBI Company Limited ("TVBI"), a wholly owned subsidiary of the Company, and MEASAT Broadcast Network Systems Sdn. Bhd. ("MBNS"), an associate of the substantial shareholder of one of the Company's non-wholly owned subsidiaries, entered into a deal memorandum, pursuant to which TVBI would license television programmes to MBNS as part of the programme 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 2002 was HK\$47,736,000.
- n) 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 2002 was HK\$ 15,566,000.