

## **REPORT OF THE DIRECTORS** (Continued)

- 11) On 16 April 1999, TVBI 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 The sub-lease agreement was superseded by a revised agreement dated 13 January 2000 varying the monthly fee and the contract period to commence on 1 January 2000 and expire on 31 March 2006.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 from 27 MHZ to 13.5 MHZ as from 1 March 2001. The fee received by TVBI from Era during 2002 was HK\$5,167,000 (US\$663,000).
- 12) On 30 September 2001, TVBI and TVBSE 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 total income accrued by TVBI and TVBSE during 2002 was HK\$34,337,000.
- 13) On 16 September 2002, Hsin Chi Broadcast Co. Ltd. (“HCB”), a jointly controlled entity of the Company, entered into an agreement with Era, whereby HCB agreed to provide to Era multi channel per carrier services for a period of one year commencing from 15 June 2002 for a monthly service fee of HK\$260,000 (NT\$1,150,000) excluding sales tax. Either party may terminate the agreement by giving the other party 30 days prior written notice. The fees received by HCB from Era during 2002 was HK\$1,690,000 (NT\$7,475,000).

### **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. The proceeds had a balance of HK\$280 million as at 31 December 2001, covering partly by gilt-edged bonds maturing in late March 2002, which were redeemed in full on schedule. All the proceeds have been used in full for capital expenditure committed for the new TVB City Project.

### **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**

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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.

## **REPORT OF THE DIRECTORS** (Continued)

### **AUDIT COMMITTEE**

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange, 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.

On behalf of the Board

**Run Run Shaw**

Executive Chairman

Hong Kong, 26 March 2003