

NOTES TO CONDENSED ACCOUNTS (Continued)

18 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (e) Since 1998, the company has entered into various sub-licencing agreements with an associated company, Galaxy Satellite Broadcasting Limited (“GSBL”), to sub-licence certain office, car parking spaces and satellite antenna farm to GSBL. Prior to the disposal of 51% interest in GSBL by the group on 20 February 2003, GSBL was a wholly owned subsidiary of the company. The total licence fees paid by GSBL during the six months ended 30 June 2003 was HK\$1,109,000.
- (f) On 4 September 2001, the company entered into a channel supply agreement with GSBL for the supply of five channels to GSBL for broadcast on GSBL’s pay television platform in Hong Kong on an exclusive basis for a period of five years commencing from the commercial launch date of GSBL’s service with an option for either party to renew for another five years. No income has accrued by the company since the GSBL’s service has not been launched.
- (g) On 20 February 2003, GSBL issued a promissory note in favour of the company in the principal sum of HK\$115,564,000, being the amount of debt due from GSBL to the company with interest at the rate of 8% per annum. The principal amount and the accrued interest shall be payable by GSBL to the company in two annual installments on 20 February 2007 and 20 February 2008 respectively unless GSBL is publicly floated before either date whereupon the outstanding principal amount and accrued interest shall be prepaid.
- (h) 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 agreement was not renewed upon its expiry date. The fee paid by LYP to Era during the six months ended 30 June 2003 was HK\$1,785,000 (2002: HK\$5,383,000).
- (i) 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 2003 was HK\$1,356,000 (2002: HK\$2,973,000).
- (j) 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 agreement was not renewed upon its expiry date. The amount (before volume rebates) received by LYP during the six months ended 30 June 2003 was nil (2002: HK\$20,535,000). The volume rebates paid by LYP to third party advertisers during the six months ended 30 June 2003 was nil (2002: HK\$20,841,000).
- (k) Since 1 August 1998, Era has been providing LYP with optical fibre networking services in Taiwan. On 21 March 2003, the parties renewed the arrangement for one year from 1 January 2003 whereby Era would provide a 45 MB optic fibre line, maintenance and management of 14 optic fibre hubs and uplink control room at a monthly fee of HK\$278,000 (exclusive of sales tax). The fee paid by LYP to Era during the six months ended 30 June 2003 was HK\$1,671,000 (2002: HK\$4,263,000).

NOTES TO CONDENSED ACCOUNTS (Continued)

18 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

- (l) Since 28 October 2000, LYP has been providing Era with satellite equipment and technical services while Era has been providing LYP with satellite relay programme services in Taiwan. On 30 January 2003, the parties renewed the agreement for one year from 1 January 2003 on the same terms and conditions except that (i) the termination notice is shortened from three months to one month; (ii) from 1 February 2003 to 31 December 2003, the services provided by LYP to Era shall not include the transponder capacity and the monthly fees (inclusive of 5% sales tax) payable by Era shall be reduced from HK\$1,344,757 to HK\$669,000; and (iii) from 1 February 2003 to 31 December 2003, the monthly fees (inclusive of 5% sales tax) payable by LYP shall be reduced from HK\$669,000 to HK\$334,500 as a result of a decrease in charges imposed by Era. During the six months ended 30 June 2003 the fees received by LYP from Era was HK\$4,505,000 (2002: HK\$7,790,000) and the fees paid by LYP to Era was HK\$2,249,000 (2002: HK\$3,875,000).
- (m) Since 1 July 1999, LYP has been acting as the advertising agent of its non-wholly owned subsidiary, Interface Co. Ltd. (an associated company of the company before 27 February 2003) (“Interface”) to recruit advertisements in the printed publications published and distributed by Interface and responsible for business planning in Taiwan, whereby LYP received an agreed percentage of the advertising revenue net of monetary equivalent of advertisements which were paid by non-cash consideration as commission. On 1 January 2003, the parties renewed the agreement for one year from 1 January 2003. The income received by LYP during the six months ended 30 June 2003 was HK\$791,000 (2002: HK\$4,319,000).
- (n) 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 2003 was HK\$2,927,000 (2002: HK\$5,105,000).
- (o) 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 from 27 MHz to 13.5 MHz as from 1 March 2001. The fee received by TVBI from Era during the six months ended 30 June 2003 was HK\$2,584,000 (2002: HK\$2,584,000).
- (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 MEASAT Broadcast Network Systems Sdn. Bhd. (“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 the six months ended 30 June 2003 was HK\$29,000 (2002: HK\$32,828,000).
- (q) 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 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 the six months ended 30 June 2003 was HK\$39,590,000 (2002: HK\$11,749,000).