

REPORT OF THE DIRECTORS (Continued)

- 8) The following transactions constitute continuing connected transactions of the Company under Listing Rule 14A.27 with respect of which the Stock Exchange requires the Company to aggregate and hence shareholders' approval will be sought by the Company at an Extraordinary General Meeting to be held immediately after the Annual General Meeting on 25 May 2005:
- a) On 30 September 2004, TVBI and MBNS entered into an agreement, pursuant to which TVBI would supply television programmes to MBNS for broadcast in Malaysia and Brunei on a channel owned and operated by MBNS for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by TVBI for revenue generated from hotel and commercial establishments respectively. The income accrued by TVBI during 2004 was HK\$16,705,000 (MYR8,116,000).
 - b) On 30 September 2004, TVBI acting as an agent of LYP and MBNS entered into an agreement, pursuant to which TVBI would supply a Mandarin language channel to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 October 2004 and 14 February 2005, separate addendum to the agreement were entered into between the parties for the clarification of the base month upon which the subscribers guarantee would be calculated and for the increase of revenue sharing receivable by LYP for revenue generated from hotel and commercial establishments respectively. The income accrued by LYP during 2004 was HK\$7,002,000 (MYR3,402,000).
 - c) On 30 September 2004, TVBSE and MBNS entered into an agreement, pursuant to which TVBSE would supply two Mandarin language channels to MBNS for broadcast in Malaysia and Brunei on the pay television services operated by MBNS and its affiliated company for a period of 5 years from 1 October 2004 to 30 September 2009 on an exclusive basis. On 14 February 2005, an addendum to the agreement were entered into between the parties for the increase of revenue sharing receivable by TVBSE for revenue generated from hotel and commercial establishments. The income accrued by TVBSE during 2004 was HK\$7,997,000 (MYR3,886,000).
 - d) On 30 September 2004, MBNS and TVBSE entered into an agreement, pursuant to which MBNS appointed TVBSE as its advertising agent responsible for the recruitment of advertisements and sponsorship for certain channels broadcast by MBNS in Malaysia and Brunei for a period of 5 years from 1 October 2004 to 30 September 2009. The income accrued by TVBSE during 2004 was HK\$8,569,000 (MYR4,163,000).
 - e) On 30 September 2004, TVBO Facilities Limited ("TVBOF") and TVB Satellite Broadcasting Limited ("TVBSB"), both wholly owned subsidiaries of the Company, entered into separate agreement with MBNS, pursuant to which MBNS appointed TVBOF and TVBSB to provide management services to MBNS for the period from 1 October 2004 to 30 September 2009 at a fixed amount for every period of 12 months. The aggregate management fee accrued by TVBOF and TVBSB during 2004 was HK\$7,595,000 (MYR3,690,000).

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%.

REPORT OF THE DIRECTORS (Continued)

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in force prior to 1 January 2005, 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.

On 1 September 2004, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all directors regarding any non-compliance with the Model Code during the year, and received confirmations from all the directors that they had fully complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

AUDIT COMMITTEE

In compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, 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 Institute of Certified Public Accountants. The Audit Committee comprises all the independent non-executive directors, with the Chairman of the Audit Committee having appropriate professional qualifications and experience in financial matters.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2004 before they were presented to the Board of Directors for approval.

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, 23 March 2005