

REPORT OF THE DIRECTORS

The directors are pleased to present their report and statement of accounts for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND TRADING RESULTS

The principal activity of the Company is television broadcasting, together with programme production and other broadcasting related activities. The principal activities of the subsidiaries are detailed in note 31 to the accounts. The respective analyses of the principal activities and geographical locations of trading of the Group during the financial year are as follows:-

	Turnover	Operating Profit/(Loss) After Finance Cost
	HK\$'000	HK\$'000
(a) Principal Activities		
Television broadcasting	2,089,875	487,500
Programme licensing and distribution	352,012	175,536
Taiwan cable channels	603,380	13,980
Other activities	207,117	(93,215)
	<hr/> 3,252,384	<hr/> 583,801

(b) Geographical Analysis

Hong Kong	2,156,684
South East Asia	142,286
Other Asian Countries	702,060
North America	119,580
Europe	111,060
Australasia	14,398
Others	6,316
	<hr/> 3,252,384

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the year ended 31 December 1999 are set out in the consolidated profit and loss account on page 42.

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts on page 62 and 63.

DIVIDENDS

An interim dividend of HK\$ 0.20 per share was paid on 8 October 1999. The directors now recommend the payment of a final dividend of HK\$ 0.60 per share in respect of the year ended 31 December 1999 payable to shareholders who are on the Register of Members on 24 May 2000.

REPORT OF THE DIRECTORS (Continued)

DONATIONS

Donations made by the Group during the year ended 31 December 1999 amounted to HK\$3,697,500.

FIXED ASSETS

Movements of fixed assets during 1999 are set out in note 12 to the accounts.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 39.

DIRECTORATE AND SENIOR MANAGEMENT

The following directors and senior managers were in office during the year and at the date of this report.

Sir Run Run Shaw (Executive Chairman)

aged 92, is the President of the Shaw group of companies with substantial interests in the entertainment and movie industry. Through the Shaw group, he holds a major interest in the share capital of the Company. He is one of the founding directors of the Company and became Chairman in 1980.

Louis Page (Managing Director)

aged 50, was appointed a director of the Company in 1987 and as Managing Director in September 1995. He is an executive director of the Shaw group of companies.

Ann Tse Kai, G.B.M., C.B.E., LL.D., J.P.

aged 87, has been a director of the Company since 1977. Dr. Ann is the Chairman Emeritus of Winsor Industrial Corporation Limited. He also serves on the board of Shaw Brothers (Hong Kong) Limited and Shanghai Commercial Bank Limited. He is the Honorary President of the Federation of Hong Kong Industries, Honorary Chairman of One Country Two Systems Research Institute Limited and is one of the Vice-Chairmen of the Chinese People's Political Consultative Conference.

Sir Jack Cater, K.B.E., J.P.

aged 78, joined the board of directors in 1992. He has headed various Government departments over 3 decades and was founding-commissioner of the Independent Commission Against Corruption (1974-78) and Chief Secretary (1978-81). He is a director of ABN AMRO Asia Limited.

Sir Jack Cater retires by rotation under Article 93 of the Articles of Association and being eligible, offers himself for re-election.

Mona Fong

aged 65, has been a director of the Company since 1988. Miss Fong is the Managing Director of Shaw Brothers (Hong Kong) Limited and an executive director of the Shaw group of companies. She is also a member of the Board of Trustees of the Shaw College of the Chinese University of Hong Kong.

Christina Lee Look Ngan Kwan

aged 76, is the widow of the founder of the Company, Mr. Lee Hsiao-Wo. Mrs. Lee became a director of the Company in 1981. She is actively involved in Caritas, Hong Kong, a local charitable organisation.

REPORT OF THE DIRECTORS (Continued)

Lee Jung Sen, O.B.E.

aged 84, is one of the founding directors of the Company. He is a director of Lee Gardens International Holdings Limited and Shanghai Commercial Bank Limited.

Li Dak Sum, DSSc. (Hon.), J.P.

aged 79, is the Chairman of Sharp-Roxy (Hong Kong) Limited which markets "Sharp" products in Hong Kong and China. Dr. Li is also the Chairman of various hotel operations in Singapore, Australia and New Zealand. He was appointed a director of the Company in 1995.

Kevin Lo Chung Ping

aged 63, joined the Company in 1966 as Project Engineer and as General Manager from 1978 to 1980. He was appointed a director in 1977. He is also a director of Gold Peak Industries (Holdings) Limited and a number of other Hong Kong companies.

Chien Lee (alternate director to Mr. Lee Jung Sen)

aged 46, is a director of the Scottish and Eastern Investment Services Limited. He is also a director of Hysan Development Company Limited and Swire Pacific Limited. He was appointed as Mr. Lee's alternate in July 1995.

Ho Ting Kwan

aged 55, joined TVB in 1968 as Assistant Accountant. He has since worked as Accountant, Chief Accountant and Comptroller. He was appointed Controller (Administration) in 1982 and promoted to Assistant General Manager in 1986. He was appointed Assistant General Manager - Television Broadcasting in July 1990 and as Deputy General Manager - Television Broadcasting in March 1992. He was given added responsibility as Company Secretary since April 1995. He was appointed General Manager - Television Broadcasting in November 1995.

Raymond Roy Wong

aged 62, a journalist, was employed by the Company as Manager of News, Public Affairs and Sports from 1977 to 1978. In 1980 he headed the News Division as Controller (News & Public Affairs) until 1991. He rejoined TVB's management team in February 1994 as Assistant General Manager - Television Broadcasting.

Cheong Shin Keong

aged 43, joined TVB as Controller, Marketing & Sales in 1989. He has extensive experience in the advertising industry specialising in media planning, buying and research. He was promoted to Assistant General Manager - Television Broadcasting in November 1995.

Michael Chan Kwok Wai

aged 46, joined TVB as Programme Marketing Manager in 1982. He was assigned to the international operations division of the Company, as Manager of its telecast division in 1988. In 1991, he returned to TVB to work in the Marketing and Sales Division as Assistant Controller. He was transferred back to the international operations division in July 1992 to join its management team as Assistant General Manager. He was promoted as Deputy General Manager in January 1995.

Bernard Cheung Leung

aged 48, joined TVB's Sales Department in 1977. He was transferred to the international operations division in 1978. In 1986 he returned to the Marketing & Sales Division as Sales Manager and was promoted to Deputy Marketing Controller in 1989. He left the Company in 1991. He re-joined TVB's international operations division in July 1996 as Deputy General Manager.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS

None of the Directors of the Company has a service contract with the Company.

The Company has agreements with Shaw Brothers (Hong Kong) Limited for the lease of certain premises in Clear Water Bay Road, Kowloon, Hong Kong. The Executive Chairman of the Company, Sir Run Run Shaw, is the Chairman of Shaw Brothers (Hong Kong) Limited.

Apart from the above, no contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at 31 December 1999 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)	139,449,828	Corporate
Ann Tse Kai	Nil	
Sir Jack Cater	Nil	
Mona Fong	333,000	Personal
Christina Lee Look Ngan Kwan (a)	16,648,000	Corporate
(b)	602,144	Personal
Lee Jung Sen	1,262,415	Personal
Li Dak Sum	53,000	Corporate
Kevin Lo Chung Ping	Nil	
Louis Page	300,000	Personal
Chien Lee	600,000	Personal

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 abovenamed parties were deemed to be interested in the relevant shareholdings under the Securities (Disclosure of Interests) Ordinance.*

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 right 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 1999.

REPORT OF THE DIRECTORS (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 1999 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 directors 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". The abovenamed parties were deemed to be interested in the relevant shareholdings under the Securities (Disclosure of Interests) Ordinance.*

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 1999.

USE OF PROCEEDS

The Company received net proceeds of \$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 money is kept intact and placed with bankers on time deposits and gilt-edged bonds with maturity timed to coincide with our cash flow requirements.

CONNECTED TRANSACTIONS

Transactions which constitute connected transactions and required to be disclosed in accordance with Chapter 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Ltd. (Listing Rules) are as follows:

- 1) Four continuing connected transactions have been entered into between a non-wholly owned subsidiary, Liann Yee Production Co. Ltd. (Liann Yee) and its minority shareholder, Era Communications Co. Ltd. (Era) as follows:-
 - a) Distribution agreement signed on 1 January 1995 pursuant to which Era acted as the sole distributor of Liann Yee's cable television channels in Taiwan, and responsible for collecting subscription fee income on behalf of Liann Yee. The agreement was renewed for a period of 3 years from 1 March 1998 to grant Era the right to broadcast the programmes produced by Liann Yee through independent cable television operators at a pre-determined fee. During 1999, the total amount of income received by Era under the agreement was approximately HK\$8,126,000 (NT\$33,510,000).
 - b) Advertising agency agreement entered into on 1 March 1995 under which Liann Yee was appointed by Era as a marketing agent to recruit advertisements for certain television channels operated by Era in Taiwan, whereby Liann Yee would receive 10% of the total advertising income received by Era net of advertising commission. This arrangement was replaced by a new agreement with a new calculation method effective from 1 July 1999 to 30 June 2000. Liann Yee's income for 1999 amounted to HK\$11,924,000 (NT\$49,172,000).
 - c) Transmission service agreement entered into on 15 October 1996 pursuant to which Liann Yee provided the service of transmission of video taped television programmes supplied by Era via satellites for broadcasting in Taiwan for a term of 3 years from 28 October 1996. The agreement was renewed for one year on the same terms from 28 October 1999 to 27 October 2000 at a monthly service fee of NT\$1,200,000. During 1999, the total income received by Liann Yee under the agreement was HK\$3,492,000 (NT\$14,400,000).
 - d) Optical fibre agreement signed on 31 July 1998 pursuant to which Era provided its optical fibre networking service

REPORT OF THE DIRECTORS (Continued)

in Taiwan to Liann Yee for an initial term of one year from 1 August 1998 to 31 July 1999, which was subsequently extended for another year from 31 July 1999 to 1 August 2000 on the same terms. Under the agreement, Liann Yee pays Era a monthly fee of NT\$500,000 per line provided. The agreement will be automatically renewed annually on the same terms unless terminated by notice prior to the expiry of the then current term. Fee paid by Liann Yee to Era during 1999 amounted to HK\$13,231,000 (NT\$54,561,000).

The directors, including all the independent non-executive directors, have reviewed the above transactions and confirmed that these transactions were entered into by the Company in the ordinary and usual course of business, conducted on normal commercial terms, entered into on terms no less favourable than those available to or from independent third parties and the aggregate amount of each of the transactions for 1999 has not exceeded the relevant cap amount for each transaction as set out in the conditional waivers granted by the Stock Exchange dated 10 December 1999.

The Company's auditors have reviewed the above transactions and confirmed in its letter to the directors that:

- (i) the transactions have received the approval of the Company's board of directors;
- (ii) the transactions are in accordance with the pricing policies as laid down in the relevant agreements;
- (iii) the transactions have been entered into in accordance with the terms of the agreements governing the transactions; and
- (iv) the cap amounts have not been exceeded.

- 2) On 30 December 1995, Liann Yee entered into a separate transmission service agreement with Era to provide the service of transmission of video taped television programmes via satellite for broadcasting in Taiwan for a term of 3 years from 1 January 1996 at a monthly service fee of NT\$1,984,000. The agreement was renewed on the same terms from 1 January 1999 to 27 October 2000. The income received by Liann Yee under the agreement during the year was HK\$5,774,000 (NT\$23,810,000).
- 3) Two tenancy agreements were made between the Company and Shaw Brothers (Hong Kong) Limited (Shaw), a substantial shareholder of the Company, dated 19 May 1997 and 15 December 1997 respectively 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 1999 totalled HK\$17,732,000.

In the opinion of the directors of the Company, including all the independent non-executive directors, the terms of these two tenancy agreements, which have been negotiated on an arm's length basis on normal commercial terms, are fair and reasonable as regards the Company and that the transactions are in the interests of the Company.

- 4) A production management agreement was made between the Company and Shaw dated 5 May 1992 whereby Shaw provided video production facilities to the Company. The term of the agreement commenced on 1 February 1992 and expired on 31 January 1997. This agreement was subsequently extended to 31 January 2001. The amount of the production management fee paid during 1999 totalled HK\$5,345,000.
- 5) On 4 October 1994, a corporate guarantee of HK\$8,912,000 (NT\$36,750,000) was provided by the Company to a bank in connection with the granting of banking facilities of HK\$12,731,000 (NT\$52,500,000) to Liann Yee. There was no draw down of the banking facilities as at balance sheet date.
- 6) On 1 October 1997, Liann Yee entered into a sub-lease agreement for a term commencing from 1 October 1997 to 30 September 2002 to lease part of the production spaces located at part of the basement level 1 and second floor of No. 260 Tun Hua North Road, Taipei to Era. The rental income received by Liann Yee during the year was HK\$2,508,000 (NT\$10,343,000).
- 7) On 25 November 1997, a corporate guarantee of HK\$69,121,000 (GBP5,500,000) was provided by the Company to a bank in connection with the granting of banking facilities to the Company's non-wholly owned subsidiary, CC

REPORT OF THE DIRECTORS (Continued)

Decoders Limited (CCD). Indemnities from minority shareholders of CCD totalled HK\$27,648,000 (GBP2,200,000) were given to the Company with an effect to share the liability under the corporate guarantee in proportion to their respective shareholding in CCD at the time when the guarantee was provided. At balance sheet date, the total amount of bank facilities drawn down was HK\$43,940,000 (GBP3,496,000).

- 8) On 19 May 1998, a corporate guarantee of HK\$84,875,000 (NT\$350,000,000) was provided by the Company to a bank in connection with the granting of banking facilities of HK\$121,250,000 (NT\$500,000,000) to Liann Yee. The balance of the banking facilities of HK\$36,375,000 (NT\$150,000,000) was guaranteed by Era. At balance sheet date, the total amount of banking facilities drawn down was HK\$59,700,000 (NT\$246,187,000).
- 9) On 20 November 1998, Hsin Chi Broadcast Company Ltd. (Hsin Chi), a company in which Liann Yee has an equity interest of 57.14%, entered into an agreement to purchase a batch of movie rights from Era for a total consideration of HK\$37,390,000 (US\$4,811,000). Owing to the delay in the launching of the satellite platform by Hsin Chi, on 9 June 1999, Hsin Chi appointed Era to be the agent to sell all the movies for a sale price of not less than HK\$33,504,000 (US\$4,311,000). Era undertakes to sell all the movies by 30 June 2000 and Era also undertakes to purchase those movies not yet sold by that date.
- 10) On 3 December 1998, a deed of variation to the joint venture agreement of 1995 was entered into by the joint venture parties, pursuant to which, a wholly owned subsidiary of the Company, TVB (Overseas) Limited (TVBO) granted a loan of HK\$56,302,000 (GBP4,480,000) to a non-wholly owned subsidiary, The Chinese Channel (Holdings) Limited (TCCH) for the purpose of providing additional working capital to TCCH. The loan is unsecured, bearing interest at 2% per annum above the London Inter-bank Offered Rate (LIBOR) and has no fixed terms of repayment. The agreement also provided an option for TVBO to convert part of the loan to equity. On 28 June 1999, TVBO and TVB (UK) Limited which are the majority shareholders of TCCH and The Chinese Channel Limited (TCC) respectively, have exercised their rights to convert part of the loan made to TCCH into new shares in TCCH and TCC. The subscription of shares was subsequently revised on 25 October 1999, whereby the loan of HK\$5,734,000 (GBP456,302) was converted into shares. The shareholding interest in TCCH and TCC was increased from 60% to 64%. The amount of loan as at the balance sheet date was HK\$50,568,000 (GBP4,023,698), whereas HK\$44,489,000 (GBP3,540,000) was interest bearing loan subject to interest rate of 2% per annum above the LIBOR, while the remaining balance of HK\$6,079,000 (GBP483,698) was non-interest bearing loan pursuant to the terms of the joint venture agreement.

TVBO and the minority shareholders of TCCH also granted non-interest bearing loans to TCCH for the purpose of providing working capital. The loan due to TVBO at balance sheet date was HK\$35,953,000 (GBP2,860,796).

- 11) In March 1999, Liann Yee purchased certain transmission equipment from Era amounting to HK\$3,464,000 (NT\$14,285,000).
- 12) On 15 March 1999, a sale & purchase agreement was entered into between Liann Yee and Era for the acquisition by Liann Yee of two floors and two car parking spaces within the building at No. 23, Section 1, Pa Te Road, Taipei, Taiwan (Property) from Era. The total price paid by Liann Yee for the Property was HK\$43,665,000 (NT\$182,081,200). The price was agreed after arm's length negotiation based on the valuation report dated 18 December 1998 prepared by an independent valuer, Colliers Jardine, a firm of property consultants and valuers in Taipei.
- 13) On 11 November 1999, the Company, Measat Broadcast Network Systems Sdn. Bhd. (MBNS) and Home Net N.V. (Home Net) entered into a joint venture agreement for the incorporation of TVB.COM Limited to undertake the establishment of an internet web portal business. All conditions to completion were met. Shareholders' approval was obtained at the extraordinary general meeting on 14 January 2000.

The joint venture agreement and the share sale agreement relating to the purchase by TVB.COM Limited of 100% of the share capital of TVB Publications Limited constitute discloseable and connected transactions of the Company in that MBNS is a connected person of the Company by virtue of its substantial shareholding in Hsin Chi.

REPORT OF THE DIRECTORS (Continued)

An administrative services agreement relating to the provision by the Company of certain services to TVB.COM Limited and a license agreement relating to the licensing by the Company of its materials to TVB.COM Limited for use on the Internet were signed on 21 February 2000. These transactions constitute continuing connected transactions.

The directors, including all the independent non-executive directors, have reviewed the transactions and confirmed that the administrative services agreement was entered into by the Company in the ordinary and usual course of business, conducted on normal commercial terms, and entered into on terms no less favourable than those available to or from independent third parties.

- 14) On 14 April 1999, TVBI Company Limited (TVBI), a wholly owned subsidiary of the Company, entered into an agreement with Era to lease part of the satellite transponder capacity to Era commencing from 1 April 1999 and expiring on 31 March 2006. Due to the delay of Era in launching its telecommunication service in Taiwan, the transponder capacity was not used by Era and no payment was made to TVBI. The outstanding fee as of 31 December 1999 was US\$832,219 (HK\$6,445,000).

On 13 January 2000, TVBI and Era entered into a revised sub-lease agreement for a term commencing from 1 January 2000 to 31 March 2006. Era is to pay TVBI US\$148,291 (HK\$1,149,000) per month from 1 January 2000 to 30 November 2001, US\$ 148,308 (HK\$1,149,000) per month from 1 December 2001 to 31 December 2001 and US\$110,417 (HK\$856,000) per month from 1 January 2002 to the end of the lease term. The aggregate of the fee in excess of the US\$110,417 per month to be paid by Era during the first and second year of the term of the revised sub-lease agreement amounts to US\$908,993 (HK\$7,045,000), representing the amount of US\$832,219 (HK\$6,450,000) due to TVBI under the sub-lease agreement and interest of US\$76,774 (HK\$595,000) at the interest rate of 9.5% per annum.

- 15) On 4 January 2000, a memorandum of understanding was entered into between the Company, Measat Broadcasting Network Systems Sdn. Bhd. (MBNS), and Galaxy Satellite Broadcasting Limited (Galaxy), a wholly-owned subsidiary of the Company, for an investment proposal in the direct-to-home subscription satellite television services. It is proposed that MBNS or its nominee will subscribe for new ordinary shares representing a 40% equity interest in Galaxy-29.41% of which shareholding is to be taken up by MBNS immediately upon entry into of any definitive agreement and satisfaction of any conditions precedent. The proposed consideration in relation to the initial subscription for the 29.41% stake is US\$93,750,000 and US\$ 56,250,000 for the the remaining stake.

- 16) Golden Star Video Sdn. Bhd. (GSVB), the minority shareholder of Golden Star Video Library Sdn. Bhd. (GSVL) which is a non-wholly owned subsidiary of the Company, licensed to GSVL the homevideo rental right in Malaysia. Under the agreement, the amount of license fee paid by GSVL to GSVB during the year was HK\$14,200,000 (MYR 6,917,000).

- 17) TVB (Overseas) Limited (TVBO), a wholly owned subsidiary of the Company, was commissioned by Era to produce certain television programmes. The income received by TVBO from Era during the year was HK\$12,969,000 (US\$1,669,000).

- 18) Era was commissioned by Liann Yee to produce certain television programmes. The aggregate fee paid by Liann Yee to Era during the year was HK\$3,263,000 (NT\$13,457,000).

- 19) The amount of advertising income earned by Liann Yee from Era in the normal course of business on an arm's length basis totalled HK\$6,232,000 (NT\$25,701,000) for the year.

- 20) The amount of film rights purchased by Liann Yee from Era during the year totalled HK\$7,177,000 (NT\$29,598,000).

- 21) GSVL purchased cassette tapes from Abound Trading Sdn. Bhd., a company owned by the directors of GSVB, the minority shareholder of GSVL. The aggregate amount paid by GSVL during the year was HK\$2,921,000 (MYR1,423,000).

REPORT OF THE DIRECTORS (Continued)

Significant related party transactions entered into by the Group during the year ended 31 December 1999 are disclosed in note 27 to the accounts. Note 27 (a) to (i) also constitute connected transactions under the Listing Rules.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, an Audit Committee was established on 1 January 1999 with all three independent non-executive directors being appointed as members.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited 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.

YEAR 2000 COMPLIANCE

The Company had completed on schedule all modification works on systems and equipment in 1999 and they were proved Y2K compliant by the integration tests subsequently carried out.

In August 1999, the Government of the Hong Kong SAR set up a Y2K Broadcasting Sector Emergency Centre in the office of Television Entertainment Licensing Authority (TELA). Three sets of Y2K critical dates were identified. They were 9 September 1999, 31 December 1999 to 3 January 2000 and 28 February 2000 to 29 February 2000. All broadcasters, including TVB, were required to run an Emergency Centre in their stations to coordinate with TELA on the rollover in those dates. In TVB, the transition was successful and no case of Y2K induced incidents was reported to TELA.

The total expenditure on the compliance exercise amounts to HK\$8.7 million which is represented by hardware, tools and replacement systems purchased. They have been capitalized as assets and will be depreciated in accordance with our accounting policy.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company has not redeemed any of its ordinary shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares.

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%.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible offer themselves for reappointment. PricewaterhouseCoopers replaced Price Waterhouse in the year following their merger with Coopers & Lybrand.

On behalf of the Board

Run Run Shaw

Executive Chairman

Hong Kong, 22 March 2000