

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

23. Reconciliation of profit before taxation to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	656,193	405,377
Share of results of associates	43,928	—
Interest expense on bank loans	37,054	74,871
Interest income	(39,043)	(50,165)
Operating profit before interest and taxation	698,132	430,083
Amortisation of deferred loan origination costs	7,918	3,959
Amortisation of gain on sale and leaseback	—	(11,667)
Costs of raising bank loan	390	1,038
Depreciation	168,391	194,771
Gain on disposal of property, plant and equipment	(130)	(57)
(Increase) decrease in unbilled lease rental receivable	(45,216)	50,395
Increase in trade and other receivables	(40,253)	(18,147)
Increase in other payables	2,031	13,993
Decrease in deferred revenue	(68,391)	(57,688)
Increase in provision for maintenance cost of transponders sold	2,689	19,742
Net cash inflow from operating activities	725,561	626,422

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For the year ended 31st December, 2000

24. Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Minority interest and loan payable to minority HK\$'000
Balance at 1st January, 1999	39,000	1,560,000	26,414
Shares issued on exercise of share option	1,311	—	—
Repayment during the year	—	(686,400)	(26,143)
Drawings of limited partner of the partnership	—	—	(121)
Minority interest's share of profit for the year	—	—	297
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Balance at 31st December, 1999 and 1st January, 2000	40,311	873,600	447
Shares issued on exercise of share option	3,330	—	—
Repayment during the year	—	(873,600)	—
Minority interest's share of profit for the year	—	—	29
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Balance at 31st December, 2000	43,641	—	476

25. Major non-cash transaction

The cost of certain of the Group's investments in associates were satisfied by way of providing satellite transponder capacity and maintenance and other support services, amounting to approximately HK\$97,500,000.

26. Lease commitments

At the balance sheet date, the Group had commitments payable in the following year under non-cancellable operating leases for premises as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	553	727
In second to fifth year inclusive	5,843	5,278
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	6,396	6,005

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

27. Capital commitments

During the year, the Group entered into agreements with independent third parties for the construction and launching of AsiaSat 4 and other assets. The estimated total cost for commissioning AsiaSat 4 is HK\$1,716 million. At 31st December, 2000, the capital commitments in respect of AsiaSat 4 and other assets were as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements	745,175	68
Authorised but not contracted for	313,639	1,567,800
	1,058,814	1,567,868

28. Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Forfeited contribution:		
Used to reduce current year's contribution	241	231
Available to reduce future years' contribution	—	—

For the year ended 31st December, 2000

29. Contingent liabilities

Pursuant to the telemetry, tracking, control and monitoring licence granted by the Chief Executive in Council under the Telecommunication Ordinance (Chapter 106), the Group was granted a Broadcasting Satellite Service (“BSS”) Licence (the “Licence”) on 27th June, 2000 to maintain and operate a payload of four BSS channels onboard AsiaSat 4. The Group, as the Licensee, has provided a performance bond of HK\$5 million in favour of The Government of The Hong Kong Special Administrative Region as a condition of the grant of the Licence.

30. Pledge of assets

On 24th November, 2000, the Group signed an agreement for a US\$250 million loan facility with a consortium of banks to finance the construction of AsiaSat 4. The loan facility is secured by an assignment of all rights, title, benefits and interest in the insurance and transponder receipts of satellites and a fixed and floating charge over the assets of the Group. In addition, the loan agreement contains certain financial covenants, which, among other things, requires the Group to maintain a certain level of net assets, and restricts the Group’s amount of borrowings and liabilities.

31. Related party transactions

The Group has entered into an agreement to lease transponder capacity to subsidiaries of China International Trust and Investment Corporation (“CITIC”). CITIC was a major shareholder of the Company throughout the year. The total amount of revenue recognised by the Group for the year under this agreement was approximately HK\$3,276,000 (1999: HK\$4,290,000).

During the year, the Group recognised rental income from leasing satellite transponder capacity and maintenance and other services income from its associates, PHOENIXNET HOLDINGS LTD. and SpeedCast Limited, amounting to approximately HK\$31,899,000.

In addition, during the year, the Group purchased certain assets from SES, a major shareholder of the Group throughout the year, for a total consideration of approximately HK\$15,210,000. This amount payable to SES is included in other payables at 31st December, 2000.

During the year ended 31st December, 1999, the Group also had significant transactions with the related companies of Cable and Wireless plc (“C&W”) and Hutchison Whampoa Limited (“HWL”). C&W and HWL were major shareholders of the Company before the sale of their shareholdings in the Company on 15th January, 1999.

For the year ended 31st December, 2000

31. Related party transactions (continued)

Hong Kong Telecom International Limited, a former subsidiary of C&W, was engaged to install, operate and maintain the telemetry, tracking and control ("TT&C") facilities of the Group. The agreement called for the following payments:

- TT&C installation covering a period of ten years starting from 1st August, 1989. The total amount paid in 1999 was approximately HK\$644,000.
- TT&C operation and maintenance for all satellites covering the period from 1st June, 1998 to 31st May, 2000. The total amount paid in 1999 was approximately HK\$4,335,000.

Hong Kong Telecom International Limited and Hutchison Corporate Access (HK) Limited, a subsidiary of HWL have entered into agreements to lease transponders. The total amount of revenue recognised by the Group for 1999 under these agreements was approximately HK\$38,437,000.

During 1999, C&W and its related company provided management and technical services to the Group and charged the Group HK\$227,000 for these services.

During 1999, commercial offices and a satellite control centre in Hong Kong were rented from former affiliates of C&W. The yearly rental for the premises was approximately HK\$4,359,000.

The above transactions were charged in accordance with the terms of the relevant agreements by reference to the Group's similar transactions with outside customers on terms agreed between the relevant parties.