

**27. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS**

HK\$'million	Notes	2000	Group	1999
Bank overdrafts	28	<b>40</b>		4
Current portion of bank loans	28	<b>178</b>		50
Current portion of finance lease payables	29	<b>3</b>		2
		<b>221</b>		56

**28. INTEREST-BEARING BANK LOANS AND OVERDRAFTS**

HK\$'million	2000	Group	1999
Bank overdrafts:			
Secured	<b>40</b>		1
Unsecured	<b>-</b>		3
	<b>40</b>		4
Bank loans:			
Secured	<b>299</b>		186
Bank overdrafts repayable within one year or on demand	<b>40</b>		4
Bank loans repayable:			
Within one year or on demand	<b>178</b>		50
In the second year	<b>18</b>		16
In the third to fifth years, inclusive	<b>62</b>		57
Beyond five years	<b>41</b>		63
	<b>299</b>		186
	<b>339</b>		190
Portion classified as current liabilities – note 27	<b>(218)</b>		(54)
Long term portion	<b>121</b>		136



**29. FINANCE LEASE PAYABLES**

There were obligations under finance leases at the balance sheet date as follows:

HK\$'million	2000	Group 1999
Amounts payable:		
Within one year	<b>4</b>	2
In the second year	<b>3</b>	1
In the third to fifth years, inclusive	<b>1</b>	1
Total minimum finance lease payments	<b>8</b>	4
Future finance charges	<b>(1)</b>	–
Total net finance lease payables	<b>7</b>	4
Portion classified as current liabilities – note 27	<b>(3)</b>	(2)
Long term portion	<b>4</b>	2

**30. CONVERTIBLE DEBT**

HK\$'million	2000	Group and Company 1999
Convertible bonds:		
Current portion	<b>150</b>	–
Long term portion	<b>–</b>	180
	<b>150</b>	180

In 1999, the Company issued convertible bonds with a face value of HK\$200 million. The convertible bonds provide its holder option rights to convert the face value amount into ordinary shares of HK\$0.50 each of the Company on or before 27 October 2001 at a conversion price of HK\$1.79 per share, subject to adjustment. The face value of the convertible bonds bears interest at 5% per annum before conversion and interest is payable on a quarterly basis. During the year, HK\$30 million worth of the convertible bonds were converted into 16,759,776 ordinary shares of HK\$0.50 each of the Company. As a result of the distribution of special dividend in specie of the Company, the conversion price of convertible bonds was adjusted to HK\$1.57 per share with effect from 29 September 2000.

The amount has been classified as current liabilities as at year end.

**31. DEFERRED TAX**

HK\$'million	Group	
	2000	1999
Balance at beginning of year	4	5
Disposal of subsidiaries	-	(1)
At 31 December	<b>4</b>	4

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements are as follows:

HK\$'million	Provided		Not provided	
	2000	1999	2000	1999
Accelerated depreciation allowances	4	4	11	2
Tax losses	-	-	(43)	(18)
	<b>4</b>	4	<b>(32)</b>	(16)

The benefit of any future tax relief, which arises from losses previously incurred by the Company and certain of its subsidiaries, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit until it is assured beyond reasonable doubt.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

**32. SHARE CAPITAL**

HK\$'million	2000	1999
Authorised:		
2,000,000,000 (1999: 2,000,000,000) ordinary shares of HK\$0.50 (1999: HK\$0.50) each	<b>1,000</b>	1,000
Issued and fully paid :		
1,565,332,060 (1999: 1,302,228,879) ordinary shares of HK\$0.50 (1999: HK\$0.50) each	<b>783</b>	651



**32. SHARE CAPITAL (continued)**

A summary of the transactions during the year is as follows:

	Notes	Carrying amount 2000 HK\$'million	Shares issued 2000 (in millions)
At 1 January 2000		651	1,302
Issue upon private placement	(a)	100	200
Issue of consideration shares	(b)	23	45
Exercise of share options	(c)	16	32
Exercise of 1999 Warrants	(d)	1	2
Exercise of 2000 Warrants	(d)	27	54
Conversion of convertible bonds	(e)	8	17
Repurchases of shares	(f)	(43)	(87)
At 31 December 2000		783	1,565

**(a) Private placement**

On 1 February 2000, the Company allotted and issued 200,000,000 ordinary shares of HK\$0.50 each of the Company to professional and institutional investors at HK\$4.60 per ordinary share.

**(b) Issue of consideration shares**

Pursuant to the subscription agreements dated 29 December 1999 and 9 March 2000, the Company allotted and issued 6,666,667 and 13,135,593 ordinary shares of HK\$0.50 each on 18 February 2000 and 9 March 2000 at HK\$5.1975 and HK\$2.95 per share, aggregating approximately HK\$74 million, as part of the consideration for the acquisitions of associates.

Pursuant to a conditional sale and purchase agreement dated 7 June 2000, the Company allotted and issued 25,000,000 ordinary shares of HK\$0.50 each of the Company on 5 September 2000 at HK\$2.00 per share, amounting to HK\$50 million, as the consideration for the acquisition of an associate.

**(c) Share options**

On 21 October 1991, the Company adopted a share option scheme under which the directors may, at their discretion, invite any employee of the Group to take up options to subscribe for ordinary shares of the Company. The maximum number of ordinary shares on which options may be granted may not exceed 10% of the issued ordinary share capital of the Company.

**32. SHARE CAPITAL (continued)**

Details of movements in the number of ordinary shares under option during the year were as follows:

Exercise price per share	Exercise period	Number of ordinary shares under option (in thousands)				
		At 1 January 2000	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 31 December 2000
HK\$1.92*	8 February 1998 to 7 February 2000	6,862	–	(6,525)	(337)	–
HK\$2.72*	10 November 1997 to 9 May 2000	1,500	–	(1,500)	–	–
HK\$2.00*	27 August 1998 to 26 February 2001	3,500	–	(2,750)	(750)	–
HK\$1.20**	6 October 1999 to 5 October 2001	15,820	–	(10,920)	(750)	4,150
HK\$2.89**	15 February 2000 to 14 February 2002	–	2,000	–	(2,000)	–
HK\$1.27**	28 October 2000 to 27 April 2002	–	8,000	–	–	8,000
HK\$1.31**	10 May 2000 to 9 May 2002	–	23,300	(10,250)	(500)	12,550
HK\$0.75	9 May 2001 to 20 October 2001	–	4,000	–	–	4,000
<b>Total</b>		<b>27,682</b>	<b>37,300</b>	<b>(31,945)</b>	<b>(4,337)</b>	<b>28,700</b>

\* Adjusted to take into account of the bonus share issue and the share consolidation in 1998.

\*\* Adjusted to take into account the special dividend in specie of the Company on 29 September 2000.

During the year, 6,525,000, 1,500,000, 2,750,000, 10,920,000 and 10,250,000 fully paid ordinary shares of HK\$0.50 each of the Company were issued at subscription prices of HK\$1.92, HK\$2.72, HK\$2.00, HK\$1.37 (adjusted to HK\$1.20 on 29 September 2000) and HK\$1.50 (adjusted to HK\$1.31 on 29 September 2000) per ordinary share, respectively, upon the exercise of share options, for an aggregate cash consideration of approximately HK\$52 million.

**(d) Warrants**1999 Warrants

Approximately HK\$3 million of subscription rights attached to the 1999 Warrants were exercised at a subscription price of HK\$1.18, resulting in a total of approximately 2 million ordinary shares of HK\$0.50 each issued.

2000 Warrants

Approximately HK\$97 million of subscription rights attached to the 2000 Warrants were exercised at a subscription price of HK\$1.79, resulting in a total of approximately 54 million ordinary shares of HK\$0.50 each issued.

As at 31 December 2000, subscription rights of approximately HK\$125 million 2000 Warrants lapsed.



**32. SHARE CAPITAL (continued)****(e) Convertible bonds**

During the year, HK\$30 million worth of the convertible bonds were converted into 16,759,776 ordinary shares of HK\$0.50 each of the Company. Further details relating to these convertible bonds are set out in note 30 to these financial statements.

**(f) Repurchases of shares**

During the year, the Company repurchased a total of 86,978,000 of its own shares of HK\$0.50 each on the open market. The repurchased shares were cancelled during the year and the issued share capital was reduced by the par value thereof.

Details of the repurchases of shares during the year were as follows:

Trading months in 2000	Number of ordinary shares repurchased	Price per ordinary share		Total cost (before expenses) HK\$'million
		Highest HK\$	Lowest HK\$	
February	11,634,000	3.225	2.650	35
March	11,220,000	3.000	2.425	32
April	598,000	1.800	1.800	1
May	5,432,000	2.000	1.700	10
June	10,856,000	2.025	1.940	22
July	1,582,000	2.000	1.850	3
October	29,922,000	1.120	0.800	29
November	8,454,000	1.290	0.940	9
December	7,280,000	1.000	0.810	7
	86,978,000			148

The premium of approximately HK\$105 million on the shares repurchased, being the difference between the total cost of approximately HK\$148 million, including the related repurchase expenses paid by the Company, and the aggregate amount of approximately HK\$43 million being the nominal value of the 86,978,000 ordinary shares repurchased, was deducted from the share premium account of the Company.

The repurchases of the Company's shares during the year were effected by the directors, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

**33. RESERVES**

Group	Share premium account	Accumulated losses	Total
HK\$'million			
At 1 January 1999	2,282	(887)	1,395
Placement of shares	309	–	309
Share issue expenses	(5)	–	(5)
Exercise of warrants and share options	27	–	27
Repurchases of shares	(10)	–	(10)
Conversion of convertible bonds	15	–	15
Goodwill arising from acquisition of an associate	–	(18)	(18)
Reversal of goodwill on disposal of subsidiaries and on write-off of an investment	–	71	71
Profit for the year	–	110	110
At 31 December 1999 and beginning of year	2,618	(724)	1,894
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Goodwill arising from acquisition of subsidiaries	–	(56)	(56)
Goodwill arising from acquisition of jointly-controlled entities	–	(276)	(276)
Goodwill arising from acquisition of associates	–	(298)	(298)
Reversal of goodwill on disposal of jointly-controlled entities	–	58	58
Reversal of goodwill on partial disposal of a subsidiary	–	101	101
Profit for the year	–	221	221
Dividend in specie	(421)	–	(421)
At 31 December 2000	3,127	(974)	2,153
Reserves retained by:			
Company and subsidiaries	2,618	(704)	1,914
Jointly-controlled entities	–	(20)	(20)
31 December 1999	2,618	(724)	1,894
Company and subsidiaries	3,127	(980)	2,147
Jointly-controlled entities	–	5	5
Associates	–	1	1
31 December 2000	3,127	(974)	2,153



### 33. RESERVES (continued)

Company	Share	Accumulated	
HK\$'million	premium	losses	Total
	account		
Balance at 1 January 1999	2,282	(1,171)	1,111
Placement of shares	309	–	309
Share issue expenses	(5)	–	(5)
Exercise of warrants and share options	27	–	27
Repurchases of shares	(10)	–	(10)
Conversion of convertible bonds	15	–	15
Loss for the year	–	(456)	(456)
At 31 December 1999 and beginning of year	2,618	(1,627)	991
Placement of shares	921	–	921
Share issue expenses	(16)	–	(16)
Exercise of warrants and share options	108	–	108
Repurchases of shares	(105)	–	(105)
Conversion of convertible bonds	22	–	22
Profit for the year	–	303	303
Dividend in specie (note)	(421)	–	(421)
At 31 December 2000	3,127	(1,324)	1,803

*Note: Under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.*

*In accordance with the Company's Articles of Association, dividends can only be distributed out of the profit and reserves available for distribution including the share premium of the Company. As at 31 December 2000, the Company had a net credit balance of approximately HK\$1,803 million (1999: HK\$991 million) maintained in the reserve accounts which is available for distribution.*



**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities**

HK\$'million	2000	1999
Profit from operating activities	<b>222</b>	112
Interest income	<b>(26)</b>	(32)
Interest income from a jointly-controlled entity	<b>(1)</b>	(7)
Dividend income from listed equity investments	<b>(7)</b>	–
Depreciation	<b>111</b>	76
Amortisation of deferred development expenditure	<b>25</b>	17
Write-off of deferred development expenditure	<b>1</b>	3
Loss on disposal of fixed assets, net	<b>4</b>	2
Loss on disposal of an investment property	<b>–</b>	7
Net realised loss on disposal of short term investments	<b>4</b>	–
Gain on disposal/deemed disposal of subsidiaries	<b>(447)</b>	(93)
Gain on disposal of jointly-controlled entities	<b>(43)</b>	–
Recovery of a long term investment	<b>(36)</b>	–
Net unrealised holding gain on short term investments	<b>(127)</b>	(407)
Provision for diminutions in values of long term investments	<b>101</b>	109
Provision against loan to an associate	<b>44</b>	–
Provision against loan to a jointly-controlled entity	<b>51</b>	–
Write-off of investment in an associate (including realisation of goodwill)	<b>–</b>	80
Bad and doubtful debt provisions on trade receivable	<b>7</b>	25
Bad and doubtful debt provisions on other receivables	<b>8</b>	65
Decrease in bank balances (trust accounts)	<b>–</b>	104
Increase in inventories	<b>(164)</b>	(54)
Increase in trade and bills receivables	<b>(255)</b>	(215)
Decrease/(increase) in deposits and other receivables	<b>24</b>	(136)
Increase in trade and bills payables and accruals	<b>483</b>	501
Net cash inflow/(outflow) from operating activities	<b>(21)</b>	157



**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**

**(b) Analysis of changes in financing during the year**

HK\$'million	Share capital (including share premium account)	Bank and other loans	Finance leases obligations	Convertible debt	Minority interests	Pledged time deposits
Balance at 1 January 1999	2,859	128	6	–	40	289
Cash inflow/(outflow) from financing activities, net	41	114	(6)	200	–	(98)
Disposal of a subsidiary	–	(87)	(2)	–	(13)	–
Placement of shares	349	–	–	–	–	–
Share of loss for the year	–	–	–	–	(49)	–
Additions to minority interests through acquisition of subsidiaries	–	–	–	–	(3)	–
Increase in due to minority interests	–	–	–	–	3	–
Contribution by minority interests	–	–	–	–	54	–
Partial disposal of a subsidiary	–	–	–	–	4	–
Inception of finance lease obligations	–	–	6	–	–	–
Conversion of convertible bonds	20	–	–	(20)	–	–
Balance at 31 December 1999 and beginning of year	3,269	155	4	180	36	191
Cash inflow/(outflow) from financing activities, net	908	32	(5)	–	–	(61)
Acquisition of a subsidiary	–	–	2	–	53	–
Disposal of subsidiaries	–	–	–	–	13	–
Placement of shares	124	–	–	–	–	–
Share of loss for the year	–	–	–	–	(40)	–
Deemed disposal of a subsidiary	–	–	–	–	33	–
Inception of finance lease obligations	–	–	6	–	–	–
Conversion of convertible bonds	30	–	–	(30)	–	–
Dividend in specie	(421)	–	–	–	–	–
Balance at 31 December 2000	3,910	187	7	150	95	130

**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)****(c) Major non-cash transactions**

During the year, the Group had the following major non-cash transactions:

- (i) The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of HK\$6 million (1999: HK\$6 million).
- (ii) The Company allotted and issued 6,666,667 and 13,135,593 ordinary shares of HK\$0.50 each, credited as fully paid, at HK\$5.1795 and HK\$2.95 per share, aggregating approximately HK\$74 million, as part of the consideration for the acquisitions of associates.
- (iii) The Company allotted and issued 25,000,000 ordinary shares of HK\$0.50 each to an independent third party amounting to HK\$50 million, credited as fully paid, at HK\$2.00 per share, as the consideration for the acquisition of an associate.

**(d) Acquisition of subsidiaries**

HK\$'million	2000
Net assets acquired:	
Fixed assets	27
Other assets	14
Cash and bank balances	116
Trade receivable	28
Inventories	3
Prepayments, deposits and other receivables	4
Trade payable	(6)
Other payables and accruals	(25)
Finance lease payables	(2)
Tax prepaid	1
Minority interests	(53)
	107
Goodwill on acquisition	56
	163
Satisfied by:	
Cash	149
Reclassification from interests in associates	3
Minority interests	11
	163



**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**

**(e) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries**

HK\$'million	2000
Cash consideration	<b>(149)</b>
Cash and bank balances acquired	<b>116</b>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(33)</b>

The subsidiary acquired during the year utilised approximately HK\$87 million of the Group's net operating cash flows, received approximately HK\$4 million in respect of the net returns on investments and servicing of finance and paid approximately HK\$3 million in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiaries acquired during the year contributed approximately HK\$119 million to the Group's turnover and post-acquisition profit of approximately HK\$11 million to the Group's profit before minority interests.

**(f) Additions to minority interests through acquisition of subsidiaries**

HK\$'million	2000	1999
Net assets acquired:		
Minority interests	-	3
Goodwill on acquisitions	-	1
	-	4
Satisfied by:		
Due to a minority shareholder	-	4

**34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)****(g) Partial disposal/disposal of subsidiaries**

HK\$'million	2000	1999
Net assets disposed of:		
Fixed assets	68	105
Other assets	-	17
Long term investments	-	1
Cash and bank balances	66	380
Trade receivable	46	218
Deposits and other receivables	19	72
Tax prepaid	-	1
Bank overdrafts	-	(66)
Bank loans	-	(87)
Trade payable and accruals	(225)	(559)
Deferred tax	-	(1)
Finance leases payables	-	(2)
Minority interests	13	(13)
Goodwill	101	29
Reclassification to interests in associates	7	-
Gain on disposal of a subsidiary	30	3
	<b>125</b>	<b>98</b>
Satisfied by:		
Cash	125	50
Fixed assets	-	55
Other payables	-	(7)
	<b>125</b>	<b>98</b>

**(h) Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries**

HK\$'million	2000	1999
Cash consideration	125	50
Cash and bank balances disposed of	(66)	(380)
Bank overdrafts disposed of	-	66
Net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries	<b>59</b>	<b>(264)</b>

The subsidiaries disposed of during the year utilised approximately HK\$63 million (1999: contributed approximately HK\$90 million) of the Group's net operating cash flows, received Nil (1999: HK\$1 million) in respect of the net returns on investments and servicing of finance, paid Nil (1999: HK\$4 million) in respect of tax, paid HK\$43 million (1999: HK\$13 million) in respect of investing activities and received HK\$54 million (1999: HK\$62 million) in respect of financing activities.



### 34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (h) Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the partial disposal/disposal of subsidiaries

The subsidiaries disposed of during the year contributed approximately HK\$114 million (1999: HK\$100 million) to the Group's turnover and loss of approximately HK\$78 million (1999: HK\$33 million) to the Group's profit before minority interests.

### 35. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

HK\$'million	Group		Company	
	2000	1999	2000	1999
Corporate guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	<b>304</b>	227
Jointly-controlled entities	–	60	–	60
	–	60	<b>304</b>	287

### 36. PLEDGED ASSETS

At the balance sheet date, the Group's bank borrowings were secured by:

- (i) pledge of the Group's fixed deposits amounting to approximately HK\$130 million (1999: HK\$104 million);
- (ii) fixed charges over certain of the Group's investment properties with a net carrying value amounting to approximately HK\$21 million (1999: HK\$44 million);
- (iii) fixed charges over certain of the Group's leasehold land and buildings with an aggregate net book value amounting to approximately HK\$440 million (1999: HK\$423 million);
- (iv) fixed charges over listed securities with a market value of approximately HK\$275 million (1999: Nil); and
- (v) corporate guarantees given by the Company.

**37. COMMITMENTS**

At the balance sheet date, the Group and the Company had the following commitments:

- (a) Capital commitments contracted, but not provided for in respect of:

HK\$'million	Group		Company	
	2000	1999	2000	1999
Capital contributions to certain subsidiaries established in the People's Republic of China	9	73	-	-
Loan to an associate	8	53	-	-
Purchase of equipment and motor vehicles	1	3	-	-
Purchase of leasehold land and buildings	-	29	-	-
Construction in progress	92	40	-	-
	<b>110</b>	<b>198</b>	<b>-</b>	<b>-</b>

- (b) Capital commitments authorised, but not yet contracted for in respect of:

HK\$'million	Group		Company	
	2000	1999	2000	1999
Investment in a jointly-controlled entity established in the People's Republic of China	25	-	25	-
Acquisition of a subsidiary	5	-	-	-
	<b>30</b>	<b>-</b>	<b>25</b>	<b>-</b>

- (c) At the balance sheet date, the Group's share of capital commitments of the jointly-controlled entities themselves was approximately HK\$376 million (1999: Nil) in respect of capital expenditures authorised but not contracted for and HK\$3 million (1999: Nil) in respect of capital expenditures contracted but not provided for.

- (d) Annual commitments payable in the following year under non-cancellable operating leases in the following year in respect of land and buildings:

HK\$'million	Group		Company	
	2000	1999	2000	1999
Expiring:				
Within one year	1	1	-	-
In the second to fifth years, inclusive	10	3	-	-
	<b>11</b>	<b>4</b>	<b>-</b>	<b>-</b>



**38. POST BALANCE SHEET EVENTS**

- (a) On 11 December 2000, the Group entered into an arrangement with two independent third parties for the sale and purchase of the entire issued share capital of Sheen Culture Program Investment Limited ("Sheen Culture") for a consideration of HK\$40 million, subject to certain adjustments which will be based on the operating results of Sheen Culture for the year ending 31 December 2001. The consideration will be satisfied by the issue of new shares of CCT Multimedia. The transaction became unconditional on 10 January 2001.

Sheen Culture is principally engaged in the development and distribution of TV programs mainly in the PRC market.

Further details of this transaction are set out in CCT Multimedia's press announcement dated 11 December 2000.

- (b) On 2 March 2001, the Group entered into an agreement with an independent third party for the sale and purchase of the entire issued share capital of City Howwhy Limited for a cash consideration of HK\$15 million of which HK\$10 million has been paid as of 31 December 2000. The transaction was completed on 2 March 2001.
- (c) On 3 January 2001, the Group acquired an additional 1.45% interest in CCT Multimedia from two directors of CCT Multimedia for a cash consideration of HK\$4,482,000. As a result, the Group's interest in CCT Multimedia increased from 61.42% to 62.87%.

**39. RELATED PARTY TRANSACTIONS**

- (a) The Group had the following material transactions with related parties during the year:

HK\$'million	Notes	Group	
		2000	1999
Rental income from a jointly-controlled entity	(i)	1	–
Management fee income from an associate	(ii)	3	–
Mechanical and electricity work charges paid to an associate	(iii)	7	–

The directors of the Company are of opinion that the above transactions were entered into in the normal course of business.

- (i) The rental income was charged at rates approximating to market rates.
- (ii) The management fee was charged in respect of the artists coordination service provided by the Group and determined based on the actual costs incurred.
- (iii) The mechanical and electricity work charges were determined based on the actual costs incurred.



**39. RELATED PARTY TRANSACTIONS (continued)**

- (b) On 21 July 2000, the Company and CCT Multimedia entered into an acquisition agreement relating to the sale of Natural Winner Investment Limited ("Natural Winner"), an indirect wholly-owned subsidiary of the Company, which holds the entire interest in e-club International Limited ("E-club") pursuant to which CCT Multimedia agreed to acquire the entire equity interest of E-club from the Company. The aggregate consideration for the E-club acquisition was HK\$1,200,000,000 and CCT Multimedia agreed to issue 1,200,000,000 new shares of HK\$0.10 each in the capital of CCT Multimedia to the Company in lieu of cash. The transaction was completed on 29 September 2000.
- (c) On 26 September 2000, the Company entered into a share purchase agreement ("the Agreement") with NTT Communications Corporation Limited ("NTT") pursuant to which NTT agreed to acquire from the Company 30,810,000 ordinary shares at HK\$1.00 each ("Sale Shares") in HKNet, an indirect 51%-owned subsidiary of the Company at that time. The Sale Shares constituted 26% of the total issued share capital of HKNet. The total consideration payable for the Sale Shares was HK\$124,780,500 at the price of HK\$4.05 per Sale Share. The transaction pursuant to the Agreement resulted in an increase of NTT's shareholding in HKNet from 49% to 75% of the total issued share capital and the Company's shareholding in HKNet was reduced from 51% to 25%. The transaction was completed on 28 September 2000.

NTT was a substantial shareholder of HKNet holding 49% of the total issued share capital of HKNet prior to the completion of the above transaction.

- (d) On 5 October 2000, CCT Multimedia, an indirect 64.88%-owned subsidiary of the Company at that time, entered into a sale and purchase agreement to acquire the entire issued share capital of Wellfit Multi Media Group Limited from Super Control Investments Limited ("Super Control"), an indirect wholly-owned subsidiary of the Company, and Lucky Club Management Limited ("Lucky Club") for a consideration of HK\$134,400,000 which was determined after what the directors considered to be arms' length negotiations between the relevant parties. The consideration was satisfied by the issue of 134,400,000 ordinary shares at HK\$1.00 each of CCT Multimedia. The transaction was completed on 29 November 2000.
- (e) During the year, the Group entered into the following material transactions with Shanghai CCT-McCaw Telecommunications System Co., Ltd ("Shanghai CCT-McCaw") - a jointly-controlled entity of the Group:
- (i) On 6 October 1997, CCT Communications Group Limited ("CCT Communications") entered into a loan agreement with Shanghai CCT-McCaw whereby CCT Communications agreed to advance a loan in the aggregate approximate amount of US\$13 million, which would be interest-bearing at 7% per annum and unsecured. The annual repayments would be in accordance with the terms set forth in the loan agreement.

During the period from 1997 to 1999, CCT Communications advanced loans aggregating approximately US\$13 million (approximately HK\$102 million) to Shanghai CCT-McCaw and the interest expense charged by CCT Communications amounted to approximately US\$99,000 which was capitalised as part of the loan. During the year, the aforementioned loans and the related interest charge for the year were repaid.

- (ii) During the year, the time deposits of approximately HK\$87 million previously pledged to a bank as security for banking facilities to Shanghai CCT-McCaw were released.



**39. RELATED PARTY TRANSACTIONS (continued)**

- (f) On 28 April 2000, CCT Network Co. Ltd. ("CCT Network") entered into a shareholders' agreement with Teligent International Ltd. ("Teligent") and CCT-Teligent Co., Limited ("CCT-Teligent"), a jointly-controlled entity of the Group, whereby CCT Network and Teligent agreed to make advances to CCT-Teligent in proportion to their proportionate shares.

During the year, the Group advanced loans of approximately HK\$51 million to CCT-Teligent. As at 31 December 2000, the entire loan advance remained outstanding and which are considered by the directors to be no longer recoverable. Accordingly, a full provision against this amount of HK\$51 million has been made and charged to the Group's profit and loss account for the year ended 31 December 2000.

- (g) On 18 December 1999, CCT Communications entered into a loan agreement with Golden Gateway Inc. ("Golden Gateway"), an associate of the Group, whereby CCT Communications agreed to advance a loan in the aggregate approximate amount of US\$8 million, which would be interest-free and unsecured. The annual repayments would be in accordance with the terms set forth in the loan agreement.

In 1999, CCT Communications advanced loans of approximately HK\$12 million to Golden Gateway. During the year, the Group further advanced loans of approximately HK\$42 million to Golden Gateway in accordance with the loan agreement. As at 31 December 2000, approximately HK\$44 million of the aforementioned loans remained outstanding and which are considered by the directors to be no longer recoverable. Accordingly, a full provision against this amount of HK\$44 million has been made and charged to the Group's profit and loss account for the year ended 31 December 2000.

- (h) Tesonic Satellite Network Co., Ltd. ("Tesonic Network") is a wholly-owned subsidiary of Tesonic Industrial Co., Limited. Tesonic International Limited, which is the ultimate holding company of the company, is also a substantial shareholder of a subsidiary of the Group. During the year, the Group had no transactions with Tesonic Network. Further details of the material transactions between the Group and Tesonic Network in 1999 are set out below:

HK\$'million	2000	1999
Lease rental income on fixed assets		
from Tesonic Network	-	6
Sale of Very Small Aperture Terminal		
equipment to Tesonic Network	-	5
Purchase of stocks from Tesonic Network	-	6

**40. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 19 April 2001.