

and Mr. Chu Yu Lin, David to further extend the date for completion of the subscription agreement dated 25 April 2002 for the subscription of 200 new shares of US\$1 each in Hong Kong Satellite by the Company at a consideration of US\$20 million to on or before 31 December 2002 (or such other date as the parties may agree to) and to terminate the said subscription agreement if completion of the Placing Agreements does not occur on or before 31 December 2002 (or such other date as the parties may agree to).

### **INTERIM DIVIDEND**

The Directors resolved not to declare an interim dividend for the six months ended 30 September 2002 (six months ended 30.9.2001: Nil).

### **LIQUIDITY AND FINANCIAL RESOURCES**

The total bank debt of the Group as at 30 September 2002 was slightly reduced to HK\$257 million from HK\$269 million as at 31 March 2002. The gearing ratio, calculated on the basis of the Group's total bank borrowings over its total assets, was 53% at the interim period end date.

### **BUSINESS REVIEW**

For the six months ended 30 September 2002, the Group recorded a loss of approximately HK\$30 million, down 24% as compared with HK\$40 million loss in the last corresponding period. The reduction in loss was mainly attributed to the drop of finance costs resulting from the reduction of the Group's debts following the disposal of a debt-laden property in the prior year and the decrease in administrative expenses.

During the period under review, the global economy was gloomy and volatile. As affected by the globally weakening market sentiment, the economy in Hong Kong was also hard hit by the rising unemployment rate and the widening deflation, along with the structural budget deficit, unresolved. The investors, especially in the property investment sector, were losing confidence in the property market, making the property market transactions very sluggish.

Despite this economic environment, turnover of the Group during the reporting period was HK\$71.34 million, representing an increase of approximately 49% from HK\$47.82 million in the last corresponding period. Proceeds from sale of properties was approximately HK\$59 million, being approximately 83% of the total turnover, representing an increase of approximately 64% as compared with the corresponding period last year. Income derived from rental was approximately HK\$9.91 million, accounting for approximately 14% of the total turnover, representing an increase of 4% as compared with the preceding corresponding period. During the period under review, the Group witnessed a remarkable decline in the rental price, such effect however was substantially offset by the increase in the rentable floor area following the acquisition of a commercial property by the Group during the debt restructuring exercise implemented early this year. Building management and agency fees contributed approximately HK\$2.52 million, or approximately 3% of the total turnover, representing a slightly increase of approximately 8% as compared with the corresponding preceding period.

In April 2002, the Company entered into two conditional placing agreements with two independent third parties to place an aggregate of 487,500,000 new shares at a price of HK\$0.40 per share in the issued share capital of the Company. In the same month, the Company also entered into a conditional subscription agreement with Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite"), a company in which Mr. Chu Yu Lin, David, the chairman of the Company who together with the shares held by Mrs. Chu Ho Miu Hing, has controlling interest, to subscribe for a further of 200 shares in Hong Kong Satellite at a consideration of US\$20 million. The Company, when aggregated with the previous acquisition, will hold up to 3.9% equity interest in Hong Kong Satellite after the completion of the transaction. Subject to the fulfillment of the conditions in the placing agreements and the subscription agreement, the completion of the above transactions is to take place by the end of December 2002.

The Company also in May 2002 entered into a conditional agreement to acquire a 80% interest in the issued share capital of, and 80% of the shareholders' loan due by, a company the subsidiary of which has acquired a 127,000 sq. ft. site at Tai Po Industrial Estate which, if proceeded with, will be used by the Group for providing satellite related communication services. Due to certain conditions precedent had not been satisfied by the deadline for the fulfillment of such conditions, the agreement was finally terminated.

In September 2002, a subsidiary of the Company signed a sale and purchase agreement with an independent third party whereby the property holding subsidiary had agreed to sell the whole of Workingmond Commercial Building at Tsimshatsui for a total consideration of HK\$55 million. The transaction was completed on 10 December 2002 and the proceed arising from such disposal was used to apply towards the relevant bank loan of the Group.

## **PROSPECTS**

Targeting customers that cover half of the population on the Earth in China, the satellite business development potential is enormous. And Wah Tak Fung has such an exceptional opportunity to take part in this project although risks are inevitable in this undertaking. In the recent months, the economic environment and the share market performance in Hong Kong has been less than optimistic, affecting the fund raising activities of and hence the business activities to be carried out by the Group. Notwithstanding this, the directors consider such situation is only temporary and that the anticipated business of the Company can be ultimately getting back on apply right track for full development once the overall atmosphere is turning better.