

**25. OPERATING LEASES****The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>6,504</b>	5,339
One to two years	<b>10,647</b>	1,847
Later than two years	—	—
	<hr/>	<hr/>
	<b>17,151</b>	7,186
	<hr/>	<hr/>

Operating lease payments represent rental payable by the Group for certain of its office and residential premises. Leases are negotiated for an average term of two to four years.

**The Group as lessor**

Income from leasing of office premises during the year was HK\$368,000 (2003: Nil). The lease is negotiated for four years.

At the balance sheet date, the Group had contracted with the customer for the following future minimum lease payments:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>552</b>	—
One to two years	<b>552</b>	—
Two to three years	<b>552</b>	—
Three to four years	<b>184</b>	—
	<hr/>	<hr/>
	<b>1,840</b>	—
	<hr/>	<hr/>

## 26. CAPITAL COMMITMENTS

At 31st December, 2004, the capital commitments in respect of the satellite earth station and other assets were as follows:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
A satellite earth station		
Contracted for but not provided in the financial statements	15,561	21,130
Authorised but not contracted for	—	28,114
Other investment projects		
Authorised but not contracted for	5,486	—
Other assets		
Contracted for but not provided in the financial statements	345	168
	<hr/>	<hr/>
	21,392	49,412
	<hr/>	<hr/>

The Company had no capital commitments at the balance sheet date (2003: Nil).

## 27. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Ordinance (ORSO Scheme) and a Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance. The schemes cover all eligible employees and all eligible employees are offered a choice of joining the ORSO Scheme or the MPF Scheme.

The ORSO Scheme provides for participant contributions of 5% of salary and Group contributions of between 7.5% and 15% of salary depending on length of service and the participant's position in the Group. Participants vest in Group contributions increasing incrementally over 10 years.

The MPF Scheme is available to all employees aged 18 to 64 with at least 60 days of service in the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income with a cap of HK\$1,000 per month. The maximum relevant income for contribution purposes contributed by employee is 5% of the monthly income. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

## 28. CONTINGENT LIABILITIES

Under Indian tax regulations, the Company may be subject to Indian income tax on revenues received by the Company in respect of income from provision of satellite transponder capacity to the Company's customers for purposes of those customers carrying on business in India or earning income from any source in India.

The Indian tax authorities have assessed the Company for income tax as follows:

Assessment year	Amount HK\$ (approximate)	Amount INR (approximate)
1997-98	20 million	115 million
1998-99	23 million	141 million
1999-00	22 million	127 million
2000-01	14 million	84 million
2001-02	29 million	171 million
2002-03	38 million	210 million
Total	146 million	848 million

The Company has filed appeals for each of the assessment years 1997-98 to 2002-03.

No assessment has yet been made for the 2003-04 or 2004-05 assessment years.

The Income Tax Appellate Tribunal (the "Tribunal") in an earlier appeal filed against the original assessment for the assessment year 1997-98 held that the Company is liable for Indian income tax under certain circumstances. The Company does not believe that it is liable for the Indian income tax as held by the Tribunal and has filed an appeal against the Tribunal's decision. The tax authorities have also filed an appeal against the Tribunal's decision. Both the appeals have been admitted by the High Court.

**28. CONTINGENT LIABILITIES (CONTINUED)**

In order to obtain a stay of recovery proceedings, the Company has made payments as follows and has recorded these payments as an asset on the assumption that the amounts are recoverable:

Assessment year	Amount HK\$ (approximate)	Amount INR (approximate)
1997-98	13 million	78 million
1998-99	15 million	88 million
1999-00	10 million	62 million
2000-01	9 million	50 million
2001-02	20 million	119 million
Total	67 million	397 million

In addition, based on the general principles set forth by the Tribunal, the amount of income taxable in India depends on the payments made by the Company's customers to the Company for the purpose of those customers carrying on business in India or earning income from any source in India. As such information is proprietary in nature and has not been provided by the Company's customers, the Company cannot reasonably estimate the taxable income and therefore also cannot estimate the amount of income tax to which the Company may be assessed. Furthermore, as stated above, the Company has filed an appeal against the Tribunal's decision. The appeal has been admitted by the High Court and is pending before the Court. Accordingly, no provision has been recognised for Indian income tax in the Company's financial statements.

## 29. RELATED PARTY TRANSACTIONS

The Group has entered into an agreement for provision of transponder capacity to a subsidiary of CITIC, CITIC Guoan Information Industry Company Limited. CITIC is a substantial 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\$3,101,000 (2003: HK\$3,782,000). In addition, the Group has entered into an agreement with CITIC Technology Company Limited, a subsidiary of CITIC, for collecting money from China customers on behalf of the Company. During the year, the Group recognised an agency fee of approximately HK\$686,000 (2003: HK\$719,000) under this agreement. Included in trade and other receivables was an amount of approximately HK\$14,628,000 (2003: HK\$11,826,000) due from CITIC Technology Company Limited, and included in other payables and accrued expenses was an amount of approximately HK\$770,000 (2003: HK\$433,000) due to CITIC Technology Company Limited.

Other than that disclosed in note 14, during the year, the Group recognised income from provision of satellite transponder capacity from its associate, SpeedCast, amounting to approximately HK\$18,793,000 (2003: HK\$20,829,000). In addition, the Group recognised interest income on the loan receivable from SpeedCast amounting to approximately HK\$419,000 (2003: HK\$86,000). At the balance sheet date, trade and other receivables included an amount of approximately HK\$3,326,000 (2003: HK\$1,951,000) due from SpeedCast.

During 2004, a software licence fee amounting to HK\$49,000 (2003: Nil) was paid to SES ASTRA S.A. ("SES ASTRA"). No consultancy fee (2003: HK\$390,000) was paid to SES ASTRA. SES ASTRA is a wholly-owned subsidiary of SES GLOBAL. SES GLOBAL was a substantial shareholder of the Company throughout the years presented.

In addition to the above, the Group made payments to SES GLOBAL and a subsidiary of CITIC, amounting to HK\$475,000 (2003: HK\$475,000) and HK\$525,000 (2003: HK\$525,000) respectively, for certain Non-Executive Directors representing SES GLOBAL and CITIC.

The above transactions were entered into on terms determined and agreed by the Group and the relevant parties.

## 30. ULTIMATE HOLDING COMPANY

The directors regard Bowenvale Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company.