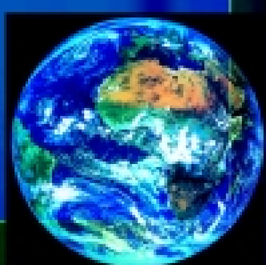
APT Satellite Holdings Limited

(Incorporated in Bermuda with limited liability)



Annual Report 1999

Company Profile

APT Satellite Holdings Limited (together with its subsidiaries known as the "Group"), is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Its wholly-owned subsidiary, APT Satellite Company Limited, was established since 1992. It primarily provides high quality satellite transponder and telecommunication services for international and Asia-Pacific broadcasting and telecommunication sectors and has achieved remarkable performance.

The Principal Shareholders of the Group are renowned China and South East Asia corporations. They hold a majority of the issued shares of APT Satellite Holdings Limited. The relations between the Group and its Principal Shareholders enable the Group to establish strong competitive advantages in both international and Asia-Pacific markets including China.

The Group is managed by a team of experts in the satellite-related industries. They have about 20 to 30 years' experience in the development, launch, telemetry and control, and telecommunication of satellites. The Group currently operates three in-orbit satellites, APSTAR-I, APSTAR-IA and APSTAR-IIR, through its own satellite control centre located in Tai Po, Hong Kong. The Group expanded into VSAT business in 1999 and successfully obtained the Satellite Television Uplink and Downlink Licence from the Government of Hong Kong Special Administrative Region on 6 July 1999 for the provision of Satellite television uplink and downlink services.

On 19 June 2000, APT Satellite Telecommunications Limited, a joint venture owned by the Group and owned by SingaSat Pte Ltd, was granted a satellite-based external Fixed Telecommunication Network Services licence for the provision of external telecommunication services including Wholesale Telecom Services, VSAT services and Internet point-of-presence (POP) Gateway, and Facility Management.

A Teleport of 17,520 m2 floor area will be established on a new site of 8,900 m2 adjacent to the existing Group's Satellite Control Centre in two years.

The Superior APSTAR Systems

Satellites	Model	Orbital Slots	Transponders C-Band	Transponders Ku-Band	Footprint Coverage
APSTAR-I	Hughes HS-376	138 degree East	24	–	China, Japan, South-East Asia
APSTAR-IA	Hughes HS-376	134 degree East	24	–	China, Japan, South-East Asia & India
APSTAR-IIR	SS/Loral FS-1300	76.5 degree East	28	16	Europe, Asia, Africa Australia, about 75% of World's population

Future Satellites Plans

The Group intends to participate in the direct broadcasting satellite service in the region and is also planning to launch a high-powered satellite to satisfy the transponders demand by the end of 2002.

Note: The Principal Shareholders of the Group are: (a) China Telecommunications Broadcast Satellite Corporation; (b) China Aerospace Corporation; (c) CASIL Satellite Holdings Limited.; (d) SingaSat Pte. Ltd., a wholly-owned subsidiary of Singapore Telecommunication Limited; and (e) Kwang Hua Development and Investment Limited, a Hong Kong corporation jointly owned by the Ruentex Group and China Development Corporation.

Contents

Corporate Information

Directors

Executive Directors

He Ke Rang *(Vice Chairman and President)*
Qin Shen *(Vice President until the end of September 1999)*
(Resigned on 2 February 2000)

Non-executive Directors

Liu Ji Yuan *(Chairman)*
Zhou Ze He *(Vice Chairman)*
Wong Hung Khim
Hsu Chih Chang
Zhu You Jun
Lim Toon
Chen Ji Bin
Lee Hsiang Wei
Wong Kit Ming
Loh Yim Kew
(Appointed on 8 July 1999)
(Alternate Director to Lim Toon and Wong Hung Khim)
Wu Zhen Mu
Liang Wen Hao
Ho Siaw Hong
(Resigned on 8 July 1999)
Zhang Jia De
(Resigned on 2 February 2000)

Independent Non-executive Directors

Li Kwok Wing, Meocre
Yuen Pak Yiu, Philip

Company Secretary

Lo Kin Hang, Brian

Authorised Representatives

He Ke Rang
Lo Kin Hang, Brian

Principal Bankers

Hua Chiao Commercial Bank Limited
Sin Hua Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Credit Lyonnais

Auditors

Ernst & Young

Legal Advisors

Baker & McKenzie
Preston Gates & Ellis LLP
Richards Butler
Yung, Yu, Yuen & Co.

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
Bank of Bermuda Building
No. 6, Front Street
Hamilton, HM 11
Bermuda

Corporate Information

Hong Kong Share Registrar and Transfer Office

Tengis Limited
1601 Hutchison House
10 Harcourt Road
Hong Kong

ADR Depositary

The Bank of New York
American Depositary Receipts
101 Barclay Street
22nd Floor West
New York, NY 10286
USA

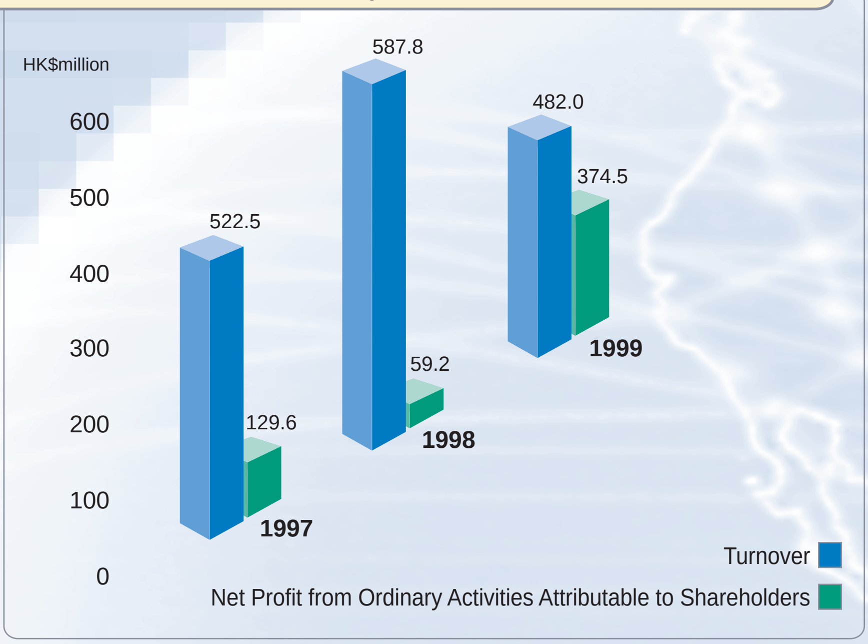
Registered Office

Clarendon House
2 Church Street
Hamilton, HM I I
Bermuda

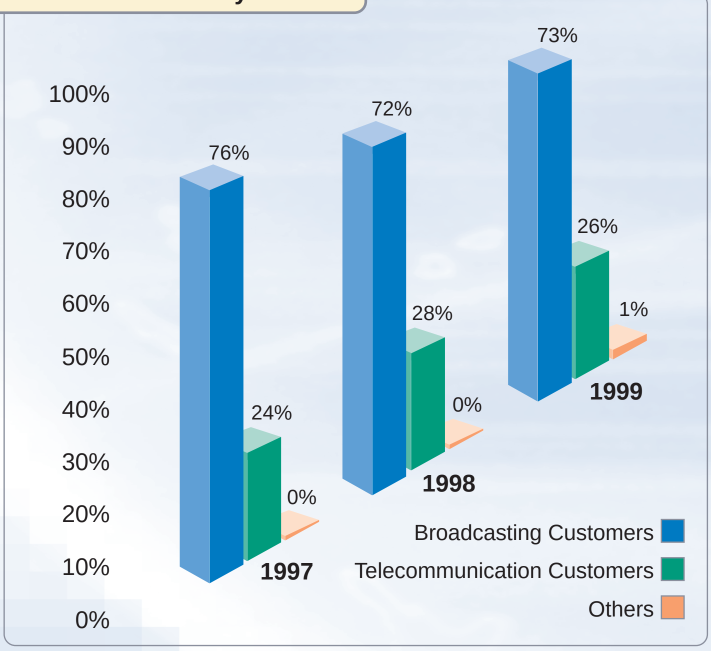
Head Office and Principal Place Of Business

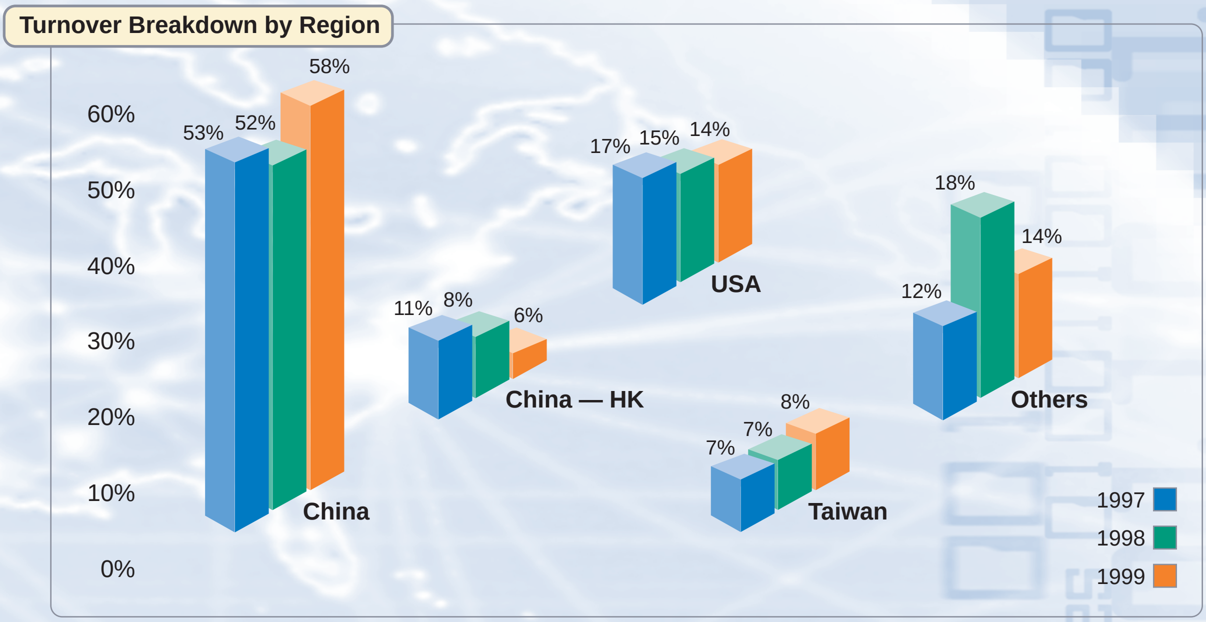
Rooms 3111-3112, 31st Floor
One Pacific Place
88 Queensway
Hong Kong
Tel: (852) 2526 2281
Fax: (852) 2522 0419
Web-site: www.apstar.com
email: aptmk@apstar.com (Marketing)
aptir@apstar.com (Investors Relation)

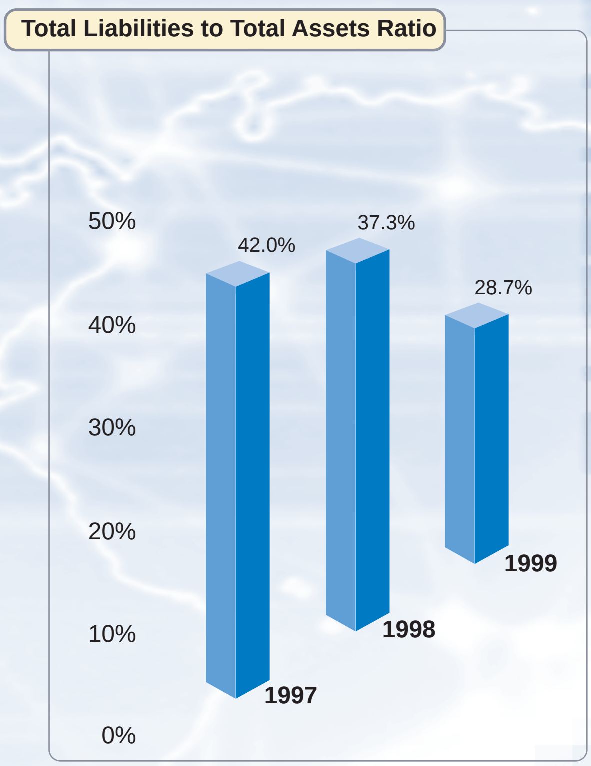
Turnover & Net Profit from Ordinary Activities Attributable to Shareholders

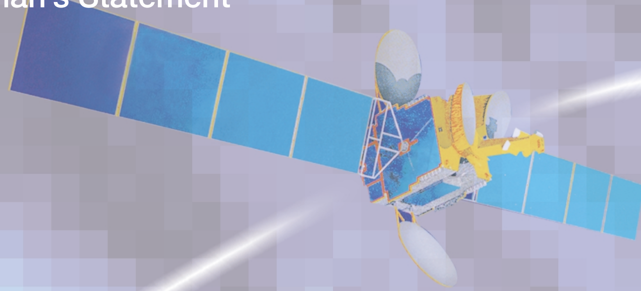


Turnover Breakdown by Business

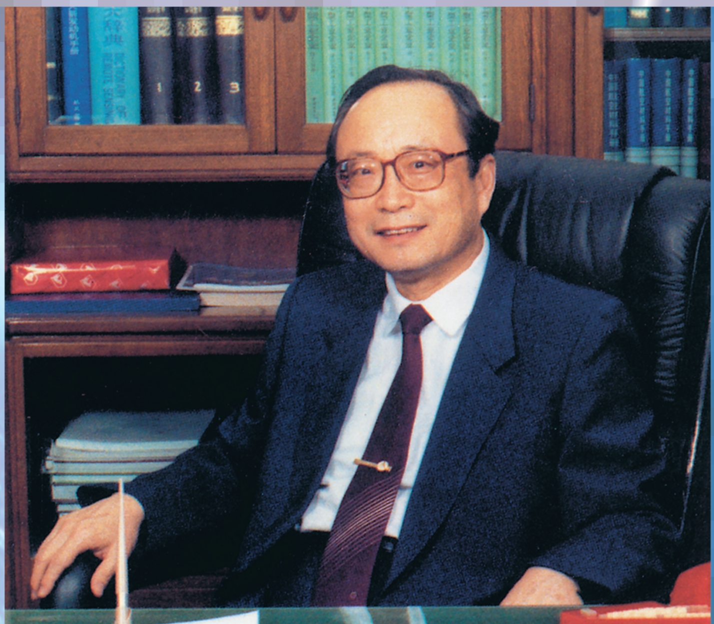



Turnover Breakdown by Region
60%
50%
40%
30%
20%
10%
0%
53%
52%
58%
China
11%
8%
6%
China — HK
17%
15%
14%
USA
7%
7%
8%
Taiwan
12%
18%
14%
Others
1997
1998
1999


Total Liabilities to Total Assets Ratio
50%
40%
30%
20%
10%
0%
42.0%
1997
37.3%
1998
28.7%
1999



" The Group will continue to dedicate itself to becoming the best provider of transponder and telecommunication networks services in the international and the Asia-Pacific telecommunication and broadcasting sectors."



Mr. Liu Ji Yuan
Chairman

Mr. He Ke Rang
Vice Chairman and President

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 1999 prepared in accordance with accounting principles generally accepted in Hong Kong.

Results

For the year ended 31 December 1999, the Group's turnover and net profit from ordinary activities attributable to shareholders were HK$481,958,000 (1998: HK$587,805,000) and HK$374,539,000 (1998: HK$59,217,000) respectively. Earnings per share was 89.18 HK cents (1998: 14.10 HK cents), representing a 532% growth comparing to 1998.

Dividend

In view of the considerable amount of profit recorded by the Group for the year 1999, the Board recommends the payment of a final dividend of 35 HK cents per share (1998: Nil) which amounts to a total of HK$147,000,000 for the financial year of 1999 (1998: Nil) subject to shareholders' approval at the Company's Annual General Meeting to be held on Friday, 2 June 2000. Upon approval, payment of the final dividend shall be made on Friday, 28 July 2000 to shareholders recorded in the Company's Register of Members on 2 June 2000.

Business Review and Prospects

Economies in the Asia-Pacific region gradually showed signs of recovery in 1999. But owing to the demand and supply situation of regional satellite transponders, growth in the satellite transponder leasing business continued to be slow.

On 6 July 1999, the Group was granted the Satellite Television Uplink and Downlink License (the "License") by the government of the Hong Kong Special Administrative Region (the "SAR Government"), the conditions of which were extended by the SAR Government in January this year. According to the Licence, the Group is able to use the newly acquired uplink platform and downlink system, together with certain encryption and digital compression technologies, to provide satellite television uplink and downlink services through the Group's APSTAR-I, APSTAR-IA and APSTAR-IIR satellites. These services indicated that the Group was striving to pursue multi-faceted development born of the traditional transponder leasing business. Therefore, this triggered off another significant breakthrough for the Group subsequent to the development of the VSAT business.

The Group was dedicated to expanding its business in the past year, and the VSAT business was achieving good progress in the PRC market. In September 1999, an agreement was reached with the People's Bank of China, Guangzhou Branch, for the construction of a network providing VSAT television conference, TV-phone system and services. Through the system, the People's Bank of China, Guangzhou Branch, could conduct various types of television conference, telephoning, communications and two-way data transmission services with any of its branches in twenty cities throughout the Guangdong province. The Group expects good development prospects for VSAT services.

On 18 August 1999, APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Group, entered into a lease agreement with Loral Asia Pacific Satellite (HK) Ltd. ("Loral Asia"), a wholly-owned subsidiary of the U.S. company Loral Space and Communications Limited, for the lease of 43 out of the 44 transponders of APSTAR-IIR. According to the agreement, Loral Asia was entitled to use the capacities of the relevant transponders until their service-span expired. The lease price was approximately US$298 million, payable by eighteen instalments in United States dollars within four years. As Loral Asia had later proposed to advance the date of payment, the Group had hence revised the lease price to approximately US$273 million, payable by three instalments, with the last installment of approximately US$181 million paid on 27 March 2000. This gave the Group an ample supply of cash to facilitate the development of new satellite and communications projects. Meanwhile, according to the lease agreement, APT HK would continue to be the legal owner of APSTAR-IIR. And, according to the existing operation licences issued by the Office of the Telecommunications Authority of the SAR Government to APSTAR-IIR, APT HK could exercise full control on the satellite and provide high-quality transmission services through the satellite control centre of the Group located in Taipo, Hong Kong.

APT Satellite Glory Limited, a wholly-owned subsidiary of the Group was granted the Satellite Uplink and Downlink Licence by the Government of Hong Kong Special Administrative Region on 6 July 1999 for the provision of satellite television uplink and downlink services via APSTAR Systems.

The average leasing rate of APSTAR satellite transponders was 81.1%, which was attributed to a 100% leasing rate for APSTAR-IIR, 58.6% for APSTAR-I and 69.0% for APSTAR-IA. Following the new surge of demand for transponders in the Asia-Pacific region, the gradual recovery of Asia-Pacific economies and expansion of the Group's business in the area of VSAT, satellite television uplink/downlink services, telecommunications network services and internet applications; the Group is ready to seize any opportunity of development, in order to further improve the utilization rate of the satellite transponders and boost economic return.

Subsequent to the rapid deregulation of the telecommunications business in Hong Kong, the Group has endeavored to re-assess its business strategy and positioning, in order to gradually expand its business from mainly providing satellite transponders for lease to the inclusion of satellite and telecommunications network services. The Group is conducting active discussions with the relevant authorities of the Hong Kong SAR Government in this regard.

Moreover, the Group submitted a proposal to the Office of the Telecommunications Authority of Hong Kong in October 1999 for the construction of the APSTAR-IV satellite system, with a view to serve the Hong Kong region by the provision of four broadcasting satellite services channels. If the Group is granted an approval for the project, it is anticipated that APSTAR-IV will be launched between 2001 and 2002. Meanwhile, the Group is conducting active discussions with the relevant PRC authorities on the development of direct-broadcast satellites APSTAR-IIIA and IIIB, with a view to serve the PRC market.

The Satellite Television Uplink and Downlink Licence was presented by Mrs. Rita Lau, the then Deputy Secretary of the Government of the HKSAR Information Technology and Broadcasting Bureau to Mr. He Ke Rang, Vice Chairman & President of APT Satellite Holdings Limited.

The Group will proceed with the APSTAR-V project very soon, and the satellite is scheduled to be launched towards the end of 2002. APSTAR-V will consist of C, Ku and Ka-band high power transponders designated to replace APSTAR-I when it is due to retire in mid 2004.

The Group will make use of the lease income generated by APSTAR-IIR to continue the development of satellite-related businesses, such as VSAT, satellite television uplink/downlink services, and satellite-based internet network services. Also, the Group will proceed with other planned satellite projects in order to meet future market demands, including APSTAR-IIIA and APSTAR-IIIB, APSTAR-IV and APSTAR-V.

On 23 December 1999, the three in-orbit satellites of the Group, together with the corresponding telemetry, tracking and control system, were rendered fully compliant with Y2K requirements and so were other major systems and office automation systems. All the systems of the Group mentioned above had safely rolled over year 2000, with no occurrence of Y2K-induced failure in the course of rollover. Please refer to the 1999 annual report on Y2K disclosures for details.

As early as February 1999, the Group had made full repayment of a bank loan in the amount of US$50 million, hence lowering the Group's gearing ratio (total liabilities/total assets) from 37% to 31%. After receiving the lease proceeds for APSTAR-IIR, the Group's financial position was further strengthened, its gearing ratio further declined to 29% by the end of 1999. Consequently, there was a considerable reduction in financial expenses, hence lowering operating costs and raising the profit margins.

The completion of the Lease Agreement for the lease of substantially all of the transponders of APSTAR-IIR to Loral Asia Pacific Satellite (HK) Ltd, a subsidiary of Loral Space & Communications Limited, was officially announced by APT Satellite Holdings Limited and Loral Skynet on 7 October 1999.

Conclusion

Along with the economic recovery in the Asia-Pacific region, the Group manages to improve the utilization rate of its satellites in order to improve economic return. As to business strategies, with the objective of expanding business, heightening economic return and providing customers with high-quality, comprehensive "one-stop" telecommunications services, the Group will expand its business to the inclusion of satellite and television networks. In addition, the Group will continue to reinforce its investment and development in the satellite business to maintain broad development prospects, particularly with the new satellites APSTAR-IIIA and IIIB, APSTAR-IV and V. Basing on a sound and stable foundation, the Group is confident that it will make good use of the opportunities brought about by the deregulation of the IT industry.

Note of Appreciation

On behalf of all shareholders and the Board of Directors, I would like to thank all of our customers for their support of the Group, and to express our sincere appreciation to staff members of the Group for their contribution to the Group during the year and for their commitment to the future.

LIU Ji Yuan
Chairman

Haikou, PRC, 2 May 2000

From left: Professor Bao Miao Qin, Vice President & Chief Engineer of APT Satellite; Mr. He Ke Rang, Vice Chairman & President of APT Satellite; Mr. Terry Hart, President of Loral Skynet; Mr. Harley Shuler, Vice President (Sales) of Loral Skynet at the Press Conference on 7 October 1999.

Executive Directors

Mr. HE Ke Rang, aged 64, was appointed as the Vice Chairman and President of the Company in October 1996 and has been the Vice Chairman and President of APT Satellite Company Limited ("APT"), a wholly-owned subsidiary of the Company, since June 1992. Mr. He is responsible for the overall daily management and operation of the Group. He graduated with a Master's Degree in Engineering from Kharkov Polytechnical Institute of the then USSR. From 1959 to 1961 he served in the Changchun Research Institute of Optics and Mechanics of the China Academy of Science. In 1961, he joined the PRC Ministry of Aerospace Industry (presently known as China Aerospace Corporation ("China Aerospace")). He later headed the Ministry's Research Institute of Mechanics and Environment which was responsible for the development of launch vehicle technology. From 1984 to 1992, he was the Deputy Director of China Academy of Launch Vehicle Technology of China Aerospace. During this period, he participated in the development and management of the Long March series of launch vehicles and other launch vehicles. The PRC government commended him in 1990 as a specialist who has contributed to the PRC. Mr. He currently serves as a Visiting Professor at the Harbin Institute of Technology.

Mr. QIN Shen, aged 57, was appointed as a Director and Vice President (until the end of September 1999) of the Company in October 1996 and has been a Director of APT since August 1996 and Vice President since June 1992. He graduated from Department of Electrical Instrumentation Measurement Technology of the Harbin Institute of Technology in 1965. Prior to joining the Group, he was the Co-Chief Designer of China Xichang Satellite Launch Mission Command Control Centre, the Leader of the PRC Ministerial Level Professional Planning Group of the Seventh Five-Year Economic Plan of the PRC and the Deputy General Manager of the Development Department of China Satellite Launch & Tracking Control General ("CLTC"). He has been granted several State and Ministerial Level Research Awards. He has over 25 years' experience in satellite telemetry, control and telecommunication system design. Mr. Qin is a Senior Engineer and currently a Visiting Professor at the Harbin Institute of Technology. He resigned as a Director of the Company with effect from 2 February 2000.

Non-Executive Directors

Mr. LIU Ji Yuan, aged 66, was appointed as the Chairman of the Company in June 1998. Mr. Liu graduated from Bowman Polytechnic University, Moscow, USSR (presently known as Russia) majoring in automatic and remote control, and obtained a Master's degree in 1960. After graduation, he was appointed consecutively as a Deputy Director and Director of the Twelfth Research Institute of the Seventh Ministry of Machinery Industry, Vice President of the China Academy of Launch Vehicle Technology under the Ministry of Astronautics and accredited as a Senior Engineer from May 1983 to March 1984, the Vice Minister of the Ministry of Astronautics and accredited as a Research Fellow from April 1984 to March 1988, and the Vice Minister of the PRC Ministry of Acrospace Industry (presently known as China Aerospace Corporation) from April 1988 to April 1993. In April 1993, Mr. Liu was appointed as the Administrator (Ministerial) of China National Space Administration (CNSA), as well as the President of China Aerospace Corporation. In 1988, Mr. Liu was granted the award of National Outstanding Young and Middle-aged Expert in the PRC. In the same year, he was appointed as a visiting professor of Harbin Institute of Technology, Beijing University of Aeronautics and Astronautics, and Beijing Information Control Institute. After 1993, Mr. Liu was also appointed as the President of the Chinese Society of Astronautics, Member of International Academy of Astronautics, President (third-term) of China Automatic Measurement and Control Association, Honorary Chairman of China Aerospace Industrial and Entrepreneurial Management Association, and Honorary Chairman of China Aerospace International Holdings Limited.

Mr. ZHOU Ze He, aged 58, was appointed as the Vice Chairman of the Company in June 1998. Mr. Zhou graduated from Chongqing University of Posts & Telecommunications in 1964. Then he participated in education and scientific research in telecommunication. In 1972, he was appointed as Deputy Director and Deputy Director General of MII of the PRC. In 1988, he was appointed as the Deputy Director General of the Beijing Telecommunications Administration in charging of development, planning, construction and management of Beijing's telecommunication. He also acted concurrently as a director of Beijing International Exchange Systems Inc. In 1993, he was appointed as the President of China National Posts & Telecommunications Industry Corporation. During this period, he promoted the rapid development and enterprises reformation in telecommunication industry. He successfully established joint ventures with international renowned telecommunication companies and completed the reformation of Shanghai Posts & Telecommunications Appliances Factory and Chengdu Cable Factory of MII and listed their shares on foreign stock market. He was also the first Chairman of the Chengdu Cable Company Limited, the first company of MII that successfully listed on foreign stock market. In March 1995, he was transferred to ChinaSat as President, endeavoring to the development of Chinese space segment resources and the planning of new projects, such as satellite mobile telecommunications and high speed digital satellite telecommunications. In May 1998, Mr. Zhou was appointed as Chairman (first term) of Asia Pacific Mobile Telecommunications (APMT).

Non-Executive Directors (Continued)

Mr. WONG Hung Khim, aged 61, was appointed as a Director of the Company in October 1996 and has been a Director of APT since February 1993. He graduated from the University of Singapore with Honours in Physics and attended the Advanced Management Programme at Harvard Business School. He spent two years in teaching before joining the Administrative Service of Singapore in 1966. Mr. Wong began his service in the then Ministry of Social Affairs ("MSA") and later became the Deputy Secretary of the Ministry of Labour. In 1974, he served first as a General Manager and then Executive Director of Singapore Bus Service Ltd. In 1979, he became the General Manager of the Port of Singapore Authority. In 1984, Mr. Wong became the Permanent Secretary of the MSA, which subsequently became the Ministry of Community Development. In 1987, he became head of the Telecommunication Authority of Singapore and oversaw its privatisation into Singapore Telecommunications Limited ("Singapore Telecom") in October 1993. From November 3, 1993 to December 31, 1997, Mr. Wong served as Chairman of Jurong Town Corporation. In recognition of his services, Mr. Wong was awarded a Public Administration Meritorious Services Medal in 1992. Mr. Wong is currently the Group Chairman and Chief Executive Officer of Delgro Corporation Ltd. (formerly known as Singapore Bus Service (1978) Ltd.) and Deputy Chairman of Singapore Telecom.

Mr. HSU Chih Chang, aged 41, was appointed as a Director of the Company in October 1996 and has been a Director of APT since September 1996. Mr. Hsu graduated with a Master's degree in Business Administration from National Taiwan University in 1983 and a Doctoral Degree in Managerial Economics and Decision Sciences from Northwestern University in 1989. Mr. Hsu was a part-time Associate Professor in the Department of Financial Administration, National Chengchi University, Taiwan in 1989. From 1989 to 1991, Mr. Hsu served as a Special Assistant to the President of the Ruentex Industries Ltd. From 1991 to 1995, he was the General Auditor of the Ruentex Industries Ltd. Mr. Hsu is now a Special Assistant to the Chief Executive Officer of the Ruentex Group (Ruentex Construction & Development Company Limited and its affiliates), a Managing Director of the China Development Corporation and an Associate Director of the Yin Shu Tien Memorial Hospital Shu-Tien Urology & Ophthalmology Clinic in Taiwan.

Mr. ZHU You Jun, aged 64, was appointed as a Director of the Company in October 1996 and has been a Director of APT since February 1996. He graduated from Fu Dan University. He was the Director of the USA Branch of the China News Service, and has been a Deputy Director and Director of the China News Service. He is also the Vice Chairman of both China Travel Service (Holdings) Hong Kong Ltd., and Chinese Goods Centre Ltd., the Chairman of China Travel Air Service Co., Ltd. and a Director of Cathay Pacific Airways Ltd.

Non-Executive Directors (Continued)

Mr. LIM Toon, aged 56, was appointed as a Director of the Company in October 1996 and has been a Director of APT since February 1993. Mr. Lim graduated in Engineering from Non University of Canterbury in New Zealand in 1966 and obtained a Postgraduate Diploma in Business Administration from the University of Singapore in 1975. He attended the Advanced Management Programme at Harvard Business School in 1992. He has been an Executive Vice-President of Singapore Telecom since April 1989 and has worked for Singapore Telecom since 1970, serving in various as a Vice-President of engineering, radio services, traffic operations, personnel, training and information systems departments. In April 1999, he became the Chief Operating Officer of Singapore Telecom. Mr. Lim was awarded the Efficiency Medal in 1978 and the Public Administration Medal (Gold) in 1991 by the Singapore government. He is presently a Director of a number of overseas companies.

Mr. CHEN Ji Bin, aged 65, was appointed as a Director and Vice President (until January 1999) of the Company in October 1996 and has been a Director and Vice President of APT since June 1992. Mr. Chen is responsible for the management of the APSTAR System. He graduated from the Radar Department of the PRC Institute of Military Telecommunication Engineering. From 1953 to 1970, he conducted radar research as the Deputy Chief Designer and Chief Designer in the Ministry of Communications and Ministry of Weapons. From 1970 to 1985, he was the Head of Design and Director of the Office of Satellite Communication System Engineering in the PRC Ministry of Electronics Industry. From 1985 to 1992, he was the Chief Engineer and Vice President of China Telecommunications Broadcast Satellite Corporation ("ChinaSat"). Mr. Chen has over 30 years' experience in telecommunications and satellite applications and control. He was accredited as a Senior Engineer and Research Fellow in 1980 and 1986 respectively, and was awarded the National Science and Technology Advancement Award (First Grade) in 1985. Mr. Chen has co-edited several technological publications on topics such as radar, microwave, satellite television receiving systems and satellite telecommunications.

Mr. LEE Hsiang Wei, aged 40, was appointed as a Director of the Company in October 1996 and has been a Director of APT since June 1993. He is presently the Chairman of Kwang Hua Securities Investment and Trust Co., Ltd. Mr. Lee graduated in 1982 with a Bachelor of Science Degree from the National Taiwan University. He later attained his Master's Degree in Business Administration from Duke University. He joined Ruentex Industries Ltd. as a marketing manager in 1987 and was promoted to Vice-President in 1989. Since 1991, Mr. Lee has been a Director of Kwang Hua Securities Investment & Trust Co., Ltd. and is an executive committee member of that company. Mr. Lee is also a President in Ruentex International Holdings Ltd. which sponsors the Ruentex Group's offshore investment activities. He also holds directorships of AETNA Life Insurance Corporation of America and Shanghai International Asset Management (H.K.) Co. Ltd.

Mr. WONG Kit Ming, aged 55, was appointed as a Director of the Company in April 1997. He is presently the Chairman of Fine Source Investments Limited and In System Investment Limited, and a Director of China Travel Fok Tai (Macau) Limited and Safemerge Limited.

Non-Executive Directors (Continued)

Ms. LOH Yim Kew, aged 48, appointed as an Alternate Director of the Company to Mr. Lim Toon and Mr. Wong Hung Khim since July 1999. Ms Loh graduated from the University of Singapore with a 1st Class Honours Degree in Bachelor of Engineering (Electrical and Electronics) in 1975 and subsequently obtained Master of Science (Industrial Engineering) Degree in 1979. She has been employed by Singapore Telecom since 1975. During these years, she has been assigned to duties and responsibilities ranging from engineering to commercial and business development in the different telecommunication areas. She has been in charge of the planning and operation of packet switched network, frame relay network, messaging systems, value added networks and IP network as well as the launching of Singtel's first satellite, ST-1. Under her charge, many new services were launched and introduced to the sophisticated business customers, ranging from 1800 toll free, 1900 audio information, VPN (Virtual Private Network), messaging, Internet access (ISP), electronic commerce services to Inmarsat value added services, video broadcast via satellite, GMPCS and satellite capacity. She was also responsible for the formation and management of the various alliances and Joint Ventures which Singtel participated in, such as WorldPartner and ACASIA. At present, she is the Senior Director of Satellite Development, responsible for the strategic investment and business development in fixed and mobile satellite systems.

Mr. WU Zhen Mu, aged 54, was appointed as a director of the Company in June 1998. Mr. Wu graduated in Manufacturing Engineering of the Beijing Institute of Aeronautics in 1969 and obtained a Master's degree in Electro-Mechanical Automation in the same Institute in 1981. He was a lecturer in Zhengzhou Institute of Aeronautics from 1970 and 1979 and had been a lecturer, associate Professor and Professor in Beijing University of Aeronautics and Aerospace from 1982 to 1993. Since then, he has been appointed as a Professor of the Commission of Science and Technology of China Aerospace Corporation.

Mr. LIANG Wen Hao, aged 59, was appointed as a Director of the Company in June 1998. Mr. Liang graduated from Beijing Institute of Aeronautics. In 1964, he was appointed as an engineer of the First Design Department of the China Academy of Launch Vehicle Technology under the Ministry of Aerospace Industry of China (resently known as China Aerospace Corporation). Since 1972, Mr. Liang had been consecutively appointed as the Institute Director, Research Fellow, Chief Engineer and Factory Director of Nanjiang Chenguang Machinery Factory and in 1996, he was appointed as the Chairman of Nanjiang Chenguang Group Corporation. He is an executive director of China Aerospace International Holdings Limited.

Non-Executive Directors (Continued)

Mr. HO Siaw Hong, aged 50, was appointed as the Alternate Director to Mr. T. Lim and Mr. H. K. Wong in October 1996. Mr. Ho graduated from the University of Singapore with a Bachelor of Engineering (Electrical & Electronics) Degree in 1972. He has been employed by Singapore Telecom since August 1972 and has been the Senior Director in charge of the Satellite Business Development Division since July 1996. Prior to July 1996, he was the Division Manager of the same division. From July 1991 to August 1993, he served as the Project Manager of the Satellite System II Unit at Singapore Telecom. From March 1993 to March 1994, he was a Director of American Mobile Satellite Corporation of the United States. He resigned as the Alternate Director of Mr. Wong Hung Khim and Mr. Lim Toon with effect from 8 July 1999.

Mr. ZHANG Jia De, aged 62, was appointed as the Vice Chairman of the Company in June 1998. Mr. Zhang graduated from the Department of Force Engineering of Zhejiang University in Engineering. He has long been leading or participating the security management in respect of facilities and equipment, transportation, technical logistics, finance for various types of satellite launching, telemetry and control and therefore is well experienced in these areas. He had been appointed as the Deputy Director of China Satellite Launch & Tracking Control General. Mr. Zhang is also appointed as a Visiting Professor in the University of Defence Technology and the Academy of Vehicle Engineering of the Technical Insititute of Beijing. He resigned as the Director of the Company with effect from 2 February 2000.

Independent Non-Executive Directors

Mr. LI Kwok Wing, Meocre, aged 45, was appointed as an Independent Non-executive Director of the Company in October 1996. He is the Chief Executive of ICEA Finance Holdings Limited, and prior to that was the managing partner of Arthur Anderson & Co.'s Hong Kong and China operations. Mr. Li received a Bachelor of Commerce Degree, with distinction, and the Financial Executive Institute Silver Medal from the University of Alberta, Canada. In 1988, Mr. Li completed the Program for Management Development offered by the Harvard University Graduate School of Business Administration. Mr. Li is a member of the Hong Kong Society of Accountants and of the Chartered Association of Certified Accountants, United Kingdom.

Independent Non-Executive Directors (Continued)

Mr. YUEN Pak Yiu, Philip, aged 64, was appointed as an Independent Non-executive Director of the Company in October 1996. He graduated from Law School in England in 1961 and commenced the practice of law in Hong Kong in 1962. In 1965, he established his solicitors' firm, Yung, Yu, Yuen & Co., and now is the principal partner in the firm. Mr. Yuen has over 30 years' experience in the legal field and has been a Director of a number of listed companies including Henderson Investment Limited, Henderson China Holdings Limited, Melbourne Enterprises Limited, Cheerful Holdings Limited, Tsingtao Brewery Company Limited, Guangzhou Shipyard International Company Limited and Oriental Metals (Holdings) Company Limited. He is a Director of the China Appointed Attesting Officers Association in Hong Kong, a Standing Committee Member of the China Chamber of Commerce of Hong Kong, a Member of the National Committee of Chinese Peoples' Political Consultative Conference, an Arbitrator at the China International Economic & Trade Arbitration Commission and an Adviser of Hong Kong Affairs to the PRC government.

Details of directorships of the Directors of the Company in the company which has an interest in the share capital of the Company as disclosed pursuant to the provisions of Part II of the Securities (Disclosure of Interests) Ordinance are set out in the Report of the Directors under the section headed "Substantial Shareholders".

Senior Management

Mr. LENG Yi Shun, aged 62, has been a Vice President of Finance of the Group since July 1994. Mr. Leng is responsible for the corporate finance division of the Group. He graduated from the Department of Electrical Engineering of the Harbin Institute of Technology in 1960. Upon graduation, he lectured in the Harbin Institute of Technology for two years. From 1962 to 1990, he served in the China Academy of Launch Vehicle Technology ("CALT"). His research topics, among others, included the power and reliability of guided missiles and rockets, and terrain environmental tests. He was accredited as an Engineering Research Fellow in 1993. From 1984 to 1990, he was the Supervisor of the Beijing Centre of New Dynamic Equipment and Facilities for Reliability and Environment Research of Rockets and Guided Missiles and the General Manager of a corporation which was principally engaged in the production and operation of dynamic equipment and facilities. From 1990 to 1992, he was the Chief Engineer of the Department of Civil Products. CALT and the Deputy General Manager of Beijing Wan Yuan Industry Corporation. He has over 30 years' experience in launch vehicles research and over 20 years' experience in corporation management.

Senior Management (Continued)

Professor BAO Miao Qin, aged 60, has been a Vice-President (since December 1997) and the Chief Engineer (since June 1992) of the Group. Professor Bao is responsible for the technical aspects of the development and operation of the APSTAR System and the related insurance programs. He has over 30 years' experience in systems engineering and space technology. He graduated from the Beijing Aeronautical Institute in 1963. Before joining the Group, he was the Director of Systems Engineering and Research Division of the Chinese Academy of Space Technology ("CAST"). Upon graduation, he spent his first three years in the space industry in the design of sub-orbital sounding rockets. Since 1968, he worked on several space projects for CAST, which included an important feasibility study of manned spacecraft, scientific satellite system engineering and research on the orbit and attitude dynamics of communications satellites. From 1974, he directed the system engineering of PRC's first communications satellite. In 1984, he joined ChinaSat as a System Engineering Consultant for broadcasting satellites and worked for two years. Professor Bao also spent more than one year in the United Kingdom and served as a Research Professor at the British National Space Centre before he took the post of Director of System Engineering Division at CAST in 1989.

Mr. YUAN Bin, aged 49, has been a Vice-President (since December 1998) and the Chief Representative of the Company's Beijing Office (since July 1992). Mr. Yuan graduated from the Department of Chinese, University of Beijing. During the period from 1968 to 1991, he was responsible for various management posts in satellite launching and telecommunication technology at Jiuquan Satellite Launch Centre, CLTC.

Mr. LO Kin Hang, Brian, aged 43, is the Assistant to the President (since December 1997) and Company Secretary (since October 1996) of the Company. Mr. Lo joined the Company in September 1996. He graduated with an Associateship in Production and Industrial Engineering and an M.Sc. Degree in Information Technology from Hong Kong Polytechnic University, and a MBA Degree from the University of Wales, UK. He has attained several professional qualifications including Chartered Engineer, Member of the Institute of Electrical Engineers, and is a Fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom and a Fellow of the Hong Kong Institute of Company Secretaries. Prior to joining the Group, he was a Director and senior management executive responsible for financial and investment management and the company secretary of a publicly listed company in Hong Kong. Mr. Lo has over 15 years' experience in corporate and project management, including telecommunication projects.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 1999.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the maintenance and operation of satellite telecommunication systems.

There were no changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 1999 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 61.

The Directors recommend the payment of a final dividend of 35 HK cents per share in respect of the year to shareholders on the register of members on 2 June 2000. This recommendation has been incorporated in the financial statements.

Segmental Information

The Group's turnover and contribution to profit from operating activities were all derived from the maintenance and operation of satellite telecommunication systems.

An analysis of the Group's turnover by geographical area for the year ended 31 December 1999 is as follows:

	Turnover
	HK$'000
The People's Republic of China:	
Hong Kong	30,632
Elsewhere	277,981
United States of America	68,963
Taiwan	37,987
Others	66,395
	481,958

The contribution to profit from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover and accordingly, an analysis of contribution by geographical area is not presented.

Summary Financial Information

The following table summarises the consolidated/combined results of the Group for the last five financial years, as extracted from the audited financial statements of the companies now comprising the Group, after appropriate adjustments and reclassifications which would have been necessary if the current Group structure had been in existence throughout these financial years.

Results

	Year ended 31 December				
	1995	1996	1997	1998	**1999**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	284,807	367,628	522,467	587,805	**481,958**
Cost of services	(130,496)	(174,951)	(280,200)	(388,876)	**(355,526)**
	154,311	192,677	242,267	198,929	**126,432**
Other income	23,039	23,257	26,021	14,605	**436,016**
Administrative expenses	(45,914)	(56,609)	(75,746)	(84,620)	**(104,395)**
Other operating expenses	(72,799)	(7,515)	(8,350)	(7,192)	**(4,340)**
Profit from operating activities	58,637	151,810	184,192	121,722	**453,713**
Finance costs	(43,849)	(52,690)	(40,150)	(57,282)	**(31,750)**
Profit before tax	14,788	99,120	144,042	64,440	**421,963**
Tax	(6)	(22,600)	(14,461)	(5,223)	**(47,424)**
Net profit from ordinary activities attributable to shareholders	14,782	76,520	129,581	59,217	**374,539**

The Company was incorporated on 17 October 1996. Therefore, the only published audited consolidated balance sheets of the Group are those as at 31 December 1996, 1997, 1998 and 1999, which are set out below:

Assets and Liabilities

	As at 31 December			
	1996	1997	1998	**1999**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	3,193,572	3,575,092	3,396,431	**3,308,966**
Total liabilities	(1,251,111)	(1,503,050)	(1,265,172)	**(950,168)**
Net assets	1,942,461	2,072,042	2,131,259	**2,358,798**

Fixed Assets

Details of movements in the fixed assets of the Company and the Group are set out in note 14 to the financial statements.

Investment Property

Details of movements in the investment property of the Group are set out in note 15 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 16 to the financial statements.

Jointly-controlled Entity

Particulars of the Group's interest in its jointly-controlled entity are set out in note 17 to the financial statements.

Bank Loans and Other Borrowings

Details of the bank loans and other borrowings of the Company and the Group are set out in notes 20 and 21 to the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 52% of the total sales for the year and sales to the largest customer included therein amounted to 26%. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

One of the above five largest customers holds, directly and indirectly, more than 5% equity interest in the Company.

Save as disclosed above, none of the Directors of the Company or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

He Ke Rang	
Qin Shen	(resigned on 2 February 2000)

Non-executive Directors:

Liu Ji Yuan	
Zhou Ze He	
Wong Hung Khim	
Hsu Chih Chang	
Zhu You Jun	
Lim Toon	
Chen Ji Bin	
Lee Hsiang Wei	
Wong Kit Ming	
Yuen Pak Yiu, Philip	*(Independent Director)*
Li Kwok Wing, Meocre	*(Independent Director)*
Wu Zhen Mu	
Liang Wen Hao	
Loh Yim Kew	(appointed on 8 July 1999 as Alternate Director to Lim Toon and Wong Hung Khim)
Ho Siaw Hong	(resigned on 8 July 1999 as Alternate Director to Lim Toon and Wong Hung Khim)
Zhang Jia De	(resigned on 2 February 2000)

In accordance with the Company's bye-laws, Messrs. Wong Kit Ming, Hsu Chih Chang, Chen Ji Bin and Wong Hung Khim will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 19 of the annual report.

Emoluments of Directors and the Five Highest Paid Individuals

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

Directors' Service Contracts

Mr. He Ke Rang, Mr. Qin Shen and Mr. Chen Ji Bin have entered into service contracts with the Company for an initial term of three years, two years and two years, respectively, commencing 1 December 1996 and continuing thereafter until terminated by either party giving to the other not less than six months' notice, three months' and three months' notice, respectively. The service contracts of Mr. Qin Shen and Mr. Chen Ji Bin were terminated with effect from October 1999 and January 1999 respectively.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' and Chief Executives' Interests in Securities

At 31 December 1999, Mr. Wong Kit Ming, a Director of the Company, and Mr. Leng Yi Shun, Vice-President of the Group, had personal interests in 1,440,000 shares and 500 shares of the Company, respectively.

Save as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

Directors' Rights to Acquire Shares

Except for the share option scheme as described in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

At the balance sheet date, no options had been granted pursuant to the share option scheme.

Directors' Interests in Contracts

No Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

Disclosure under Listing Rule 8.10

Interests in competing businesses disclosures

At 31 December 1999, the following non-executive directors of the Company are also the directors in other business, which compete or are likely to compete, either directly or indirectly, with the Company's business:

	Name of Director	Name of the companies/business	Place of Incorporation
1.	Wong Hung Khim	Singapore Telecommunications Limited	Singapore
2.	Lim Toon	SingTelSat Private Limited	Singapore
		Singapore Telecom Japan Company Limited	Japan
		SingTel Japan Company Limited	Japan

Remarks

1. *Singapore Telecommunications Limited, is incorporated in Singapore and is principally engaged in the operation and provision of telecommunication systems and services and investment holding. The turnover of the company for the year ended of March 1999 was S$ 4,883.5 million and the market capitalisation was S$37.6 billion (based on 31 March 1999).*

2. *SingTelSat Private Limited is a wholly owned subsidiary of Singapore Telecommunications Limited and its main activities are the provision of satellite capacity for telecommunication and video broadcasting services. The company had no turnover for the year ended 31 March 1999.*

3. *Singapore Telecom Japan Company Limited is a wholly owned subsidiary of Singapore Telecommunications Limited and involves in the running, operating, managing and dealing in telecommunication systems and services.**

4. *SingTel Japan Company Limited is a wholly owned subsidiary of Singapore Telecommunications Limited. Its business is in international leased circuits.**

* *The total turnover for the two companies in Japan was Yen 57,482,190 for the year ended 31 March 1999.*

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Substantial Shareholders

At 31 December 1999, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	%
APT Satellite International Company Limited	214,200,000	51

Messrs. He Ke Rang, Chen Ji Bin, Qin Shen, Wong Hung Khim, Hsu Chih Chang, Zhu You Jun, Lim Toon, Lee Hsiang Wei, Wong Kit Ming, Liu Ji Yuan, Zhou Ze He, Zhang Jia De, Wu Zhen Mu, Liang Wen Hao and Loh Yim Kew (Alternate Director to Lim Toon and Wong Hung Khim), Directors of the Company, are also Directors of APT Satellite International Company Limited.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and chief executives' interests in securities" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Pension Scheme

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice except that the audit committee was established from 31 July 1999 and accordingly was not established for the whole of the accounting period.

Distributable Reserves

At 31 December 1999, the Company's reserves available for distribution amounted to HK$584,631,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, in the amount of HK$1,315,522,000 may be distributed in the form of fully paid bonus shares.

Year 2000 ("Y2K") Event Disclosure

All of the Group's satellite systems, APSTAR-I, APSTAR-IA and APSTAR-IIR, including their respective Tracking, Telemetry and Command Systems (the "TT&C Systems") fully conformed to Y2K compliance requirements on 23 December 1999.

As reported in the announcement of the Company of 19 November 1999, Hughes Space and Communications International, Inc., the vendor of APSTAR-I and APSTAR-IA, obtained the required licence to upgrade the software modules in respect of the TT&C Systems of these two satellites. The Y2K upgrades were completed on 15 December 1999. The TT&C Systems of APSTAR-I and APSTAR-IA were therefore fully Y2K compliant from that date.

The vendor of APSTAR-IIR, Space System/Loral Inc., also obtained the required licence to upgrade the software module for the TT&C Systems of APSTAR-IIR. The Y2K upgrade was completed on 23 December 1999. The TT&C Systems of APSTAR-IIR were therefore fully Y2K compliant from that date.

As a result of the Y2K upgrades of the TT&C Systems, the APSTAR Systems of the Group fully conformed to Y2K compliance requirements. In addition, the Group's automation systems and other systems, such as antennae systems, UPS power supply systems, PABX systems and air-conditioning systems, are also fully Y2K compliant.

Year 2000 ("Y2K") Event Disclosure (Continued)

Although the risk of the Y2K issue causing a threat to the Group's operation was considered to be negligible after completion of all of the above Y2K upgrades, the Group has taken measures to cater for any contingency that might arise during the high risk periods at the Y2K rollover or those further periods identified by the relevant governmental entities in Hong Kong. The measures included, among others, the strengthening of the communication linkage between the Group and each of the said satellite vendors, as well as the deployment of additional management and technical staff in the Group's satellite control centre during the high risk periods. A control centre was also set up by the Group to liaise with the control centres of the Office of Telecommunications Authority and the Television and Entertainment Licencing Authority during the high risk periods.

As a result of the above upgrades and measures taken, and the Group's continuing effort in providing quality and reliable transponder services to its customers, there were no disruptions to the operation of the Group's business due to the Y2K rollover and the high risk periods thereafter, nor was there any need to implement any of the contingency plans in place to deal with any problems.

Auditors

Ernst & Young retire. A resolution for the appointment of auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

He Ke Rang
Director

Liang Wen Hao
Director

Haikou, PRC
2 May 2000

ERNST & YOUNG
安永會計師事務所

To the members
APT Satellite Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 30 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
2 May 2000

Consolidated Profit and Loss Account

Year ended 31 December 1999

	Notes	**1999** **HK$'000**	1998 HK$'000
Turnover	4	**481,958**	587,805
Cost of services		**(355,526)**	(388,876)
		126,432	198,929
Other income	5	**436,016**	14,605
Administrative expenses		**(104,395)**	(84,620)
Other operating expenses		**(4,340)**	(7,192)
Profit from operating activities	6	**453,713**	121,722
Finance costs	7	**(31,750)**	(57,282)
Profit before tax		**421,963**	64,440
Tax	10	**(47,424)**	(5,223)
Net profit from ordinary activities attributable to shareholders	11	**374,539**	59,217
Dividend	12	**(147,000)**	–
Retained profits for the year		**227,539**	59,217
Retained profits at beginning of year		**262,737**	203,520
Retained profits at end of year		**490,276**	262,737
Earnings per share – Basic	13	**89.18 cents**	14.10 cents

Other than the net profit for the year attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

Consolidated Balance Sheet

31 December 1999

	Notes	1999 HK$'000	1998 HK$'000
NON-CURRENT ASSETS			
Fixed assets	14	**1,285,076**	3,120,895
Investment property	15	**–**	2,557
Club memberships, at cost		**5,537**	5,537
Interest in a jointly-controlled entity	17	**5,622**	2,522
		1,296,235	3,131,511
CURRENT ASSETS			
Trade receivables	18	**62,306**	21,785
Prepayments, deposits and other receivables	5	**1,425,004**	7,973
Tax recoverable		**–**	4,785
Cash and bank balances	19	**525,421**	230,377
		2,012,731	264,920
CURRENT LIABILITIES			
Rentals received in advance		**21,270**	52,553
Other payables		**9,611**	7,976
Accruals		**135,558**	19,065
Proposed final dividend		**147,000**	–
Tax payable		**45,748**	–
Interest-bearing bank loans	20	**181,761**	401,865
Loans from shareholders	21	**10,263**	–
Due to a related company	22	**1,849**	2,150
		553,060	483,609
NET CURRENT ASSETS/(LIABILITIES)		**1,459,671**	(218,689)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,755,906**	2,912,822

Consolidated Balance Sheet (Continued)

31 December 1999

	Notes	1999 HK$'000	1998 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	20	**119,382**	228,017
Loans from shareholders	21	**–**	137,000
Trade deposits received	23	**25,073**	60,706
Deferred rental income	24	**134,794**	243,921
Deferred tax	25	**117,859**	111,919
		397,108	781,563
		2,358,798	2,131,259
CAPITAL AND RESERVES			
Issued capital	26	**42,000**	42,000
Share premium		**1,315,522**	1,315,522
Contributed surplus	27	**511,000**	511,000
Retained profits		**490,276**	262,737
		2,358,798	2,131,259

He Ke Rang
Director

Liang Wen Hao
Director

Consolidated Cash Flow Statement

Year ended 31 December 1999

	Note	**1999** **HK$'000**	1998 HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*28(a)*	**777,410**	420,712
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**9,556**	10,292
Interest paid		**(42,761)**	(53,244)
Net cash outflow from returns on investments and servicing of finance		**(33,205)**	(42,952)
TAXATION			
Hong Kong profits tax refunded/(paid)		**5,991**	(5,415)
Overseas taxes paid		**(1,282)**	(6)
Taxes refunded/(paid)		**4,709**	(5,421)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(1,910)**	(5,708)
Satellite project progress payments		**–**	(33,671)
Proceeds from disposal of fixed assets		**4**	2
Advance capital contribution paid to a jointly-controlled entity		**–**	(2,495)
Advance to a jointly-controlled entity		**–**	(22)
Loan to a jointly-controlled entity		**(3,100)**	–
Decrease/(increase) in pledged deposits		**142,744**	(145,442)
Net cash inflow/(outflow) from investing activities		**137,738**	(187,336)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		**886,652**	185,003

Consolidated Cash Flow Statement (Continued)

Year ended 31 December 1999

	Note	1999	1998
		HK$'000	HK$'000
FINANCING ACTIVITIES	*28(b)*		
New bank loans		**38,750**	116,250
New other loans		**10,352**	15,500
Repayment of bank loans		**(367,489)**	(273,992)
Repayment of other loans		**(10,352)**	(15,500)
Repayment of loans from shareholders		**(120,125)**	(38,750)
Net cash outflow from financing activities		**(448,864)**	(196,492)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**437,788**	(11,489)
Cash and cash equivalents at beginning of year		**76,056**	87,545
CASH AND CASH EQUIVALENTS AT END OF YEAR		**513,844**	76,056
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances not pledged		**513,844**	76,056

Balance Sheet

31 December 1999

	Notes	1999 HK$'000	1998 HK$'000
NON-CURRENT ASSETS			
Fixed assets	14	**274**	356
Interests in subsidiaries	16	**1,912,375**	2,061,240
		1,912,649	2,061,596
CURRENT ASSETS			
Due from a subsidiary		**77,500**	–
Prepayments, deposits and other receivables		**970**	380
Dividend receivable		**147,000**	–
Cash and bank balances	19	**31,994**	1,198
		257,464	1,578
CURRENT LIABILITIES			
Interest-bearing bank loans	20	**77,500**	116,250
Proposed final dividend		**147,000**	–
Accruals		**3,460**	4,195
		227,960	120,445
NET CURRENT ASSETS/(LIABILITIES)		**29,504**	(118,867)
		1,942,153	1,942,729
CAPITAL AND RESERVES			
Issued capital	26	**42,000**	42,000
Share premium		**1,315,522**	1,315,522
Contributed surplus	27	**584,358**	584,358
Retained profits		**273**	849
		1,942,153	1,942,729

He Ke Rang
Director

Liang Wen Hao
Director

1. Corporate Information

The principal activities of the Group are the maintenance and operation of satellite telecommunication systems.

In the opinion of the directors, the ultimate holding company is APT Satellite International Company Limited, which is incorporated in the British Virgin Islands.

2. Impact of New Statement of Standard Accounting Practice ("SSAP")

SSAP 1 "Presentation of financial statements" has been adopted for the first time in the preparation of the current year's consolidated financial statements. SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the profit and loss account and the balance sheets as set out on pages 30, 31, 32 and 35 have been revised in accordance with the SSAP. Additional disclosures as required are included in the supporting notes.

The adoption of SSAP 1 has had no effect on the previously-reported net profit attributable to shareholders, earnings per share, and net assets of the Group.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of an investment property as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 1999. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminutions in values, when they are written down to values determined by the Directors.

3. Summary of Significant Accounting Policies (Continued)

Joint ventures

A joint venture is a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in natures, deemed necessary by the Directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries or jointly-controlled entities, the relevant portion of the attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation of communication satellite is provided on the straight line basis to write off the cost of the satellite over its estimated useful life or the warranty period provided to customers, when applicable.

3. Summary of Significant Accounting Policies (Continued)

Fixed assets and depreciation (Continued)

Depreciation of other assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Leasehold improvements	Over the lease terms
Furniture and equipment	20%
Motor vehicles	20%
Computer equipment	20%
Communication satellite equipment	$6^2/_3$% – 20%
Communication satellites	$6^1/_4$% – 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations is released to the profit and loss account.

Club memberships

Club memberships are intended to be held for long term purposes. They are stated at cost less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the Directors, on an individual membership basis.

3. Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of an overseas subsidiary are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date.

3. Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) for transponder leases under which customers have obtained the right to use the transponder capacity for the life of the satellite, revenue is recognised, along with the related costs, on a straight-line basis over the warranty period provided to the customers;

(b) rental income from the leasing of satellite transponders, on an accrual basis;

(c) service income, when the services are provided;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(e) rental income from an investment property, on a time proportion basis over the lease term.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. Turnover

Turnover represents the income on the leasing of satellite transponders; and the service income in respect of satellite control and leasing of satellite transponders.

Revenue from the following activities has been included in turnover:

	1999	1998
	HK$'000	*HK$'000*
Transponder lease income	**478,972**	587,805
Service income	**2,986**	–
Turnover	**481,958**	587,805

5. Other Income

During the year, agreements (the "Agreements") were entered into between APT Satellite Company Limited ("APT HK"), a wholly-owned subsidiary of the Company, and Loral Asia Pacific Satellite (HK) Limited ("Loral Asia"), an independent third party, in respect of the leasing by APT HK to Loral Asia of substantially all of the satellite transponder capacities (the "Transponders") of APSTAR-IIR, one of the three satellites of the Group, for the rest of its useful life for an aggregate lease price (the "Lease Price") of HK$2,114,755,000. Upon the completion of the Agreements on 28 September 1999, all of the risks and rewards associated with the Transponders have been transferred to Loral Asia. At 31 December 1999, HK$704,810,000 of the Lease Price had been received, and the remaining Lease Price of HK$1,409,945,000, which is included in the Group's other receivables balance as at 31 December 1999, was received subsequent to the balance sheet date on 27 March 2000. The transaction contemplated under the Agreements constitutes a life lease of the Transponders and the net gain thereon, amounting to HK$389,744,000, calculated by deducting the costs of the Transponders and the expenses in relation to the Agreements from the Lease Price, was credited to other income for the year.

6. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

	1999	1998
	HK$'000	*HK$'000*
Depreciation	**300,548**	332,983
Rent of land and buildings under operating leases	**2,613**	3,426
Auditors' remuneration	**420**	280
Foreign exchange losses, net	**–**	54
Revaluation deficit on an investment property	**–**	388
Amortisation of deferred liabilities (note 25)	**4,340**	6,804
Loss on disposal of fixed assets	**21**	4
Provision for doubtful receivables	**21,727**	15,170
Staff costs (including directors' remuneration – note 8):		
Pension contributions	**1,081**	1,154
Less: Forfeited contributions	**(198)**	(94)
Net pension contributions*	**883**	1,060
Wages, salaries and bonuses	**31,014**	33,450
	31,897	34,510
and after crediting:		
Exchange gains, net	**89**	–
Interest income	**11,530**	11,588
Gross rental income	**446**	703
Compensation income for early termination of lease agreement	**34,106**	2,276

* *At 31 December 1999, there were no forfeited contributions available to the Group to reduce its contributions to the retirement benefits scheme in future years (1998: Nil).*

7. Finance Costs

	Group	
	1999	1998
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**31,750**	57,282

8. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	1999	1998
	HK$'000	*HK$'000*
Executive Directors:		
Fees	**150**	150
Salaries, allowances and benefits in kind	**4,755**	6,739
Performance related bonuses	**–**	316
Pension scheme contributions	**128**	210
	5,033	7,415
Non-executive Directors:		
Fees	**550**	529
Independent non-executive Directors:		
Fees	**117**	100
	5,700	8,044

8. Directors' Remuneration (Continued)

The remuneration of the Directors fell within the following bands:

	Number of Directors	
	1999	1998
Nil to HK$1,000,000	**16**	19
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**1**	1
	18	22

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included two (1998: three) Directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining three (1998: two) non-Director, highest paid employees are set out below:

	Group	
	1999	1998
	HK$'000	*HK$'000*
Salaries and allowances	**6,802**	4,750
Performance related bonuses	**–**	125
Pension scheme contributions	**185**	150
	6,987	5,025

9. Five Highest Paid Employees (Continued)

The remuneration of the non-Director, highest paid employees fell within the following bands:

	Number of individuals	
	1999	1998
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	3	2

10. Tax

	Group	
	1999	1998
	HK$'000	*HK$'000*
Provision for tax in respect of profits for the year:		
Hong Kong	**22,642**	–
Elsewhere	**24,831**	116
Overprovision in prior year	**–**	(793)
Rebate received relating to prior year	**(1,649)**	–
Deferred (note 25)	**1,600**	5,900
Tax charge for the year	**47,424**	5,223

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as no assessable profits were earned in or derived from Hong Kong for that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. Net Profit from Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$146,424,000 (1998: HK$479,000).

12. Dividend

	1999	1998
	HK$'000	*HK$'000*
Proposed final – HK$0.35 (1998: Nil) per share	**147,000**	–

13. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$374,539,000 (1998: HK$59,217,000) and the 420,000,000 (1998: 420,000,000) shares in issue during the year.

Diluted earnings per share for the years ended 31 December 1999 and 1998 has not been calculated as no diluting events existed during these years.

14. Fixed Assets

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Communication satellite equipment HK$'000	Communication satellites HK$'000	Total HK$'000
Cost:								
At beginning of year	46,708	3,377	18,112	5,033	1,442	66,952	3,831,911	3,973,535
Additions	473	172	96	48	442	679	–	1,910
Transferred from investment property *(note 15)*	2,557	–	–	–	–	–	–	2,557
Disposals	–	–	(79)	(95)	(16)	–	(1,731,782)	(1,731,972)
At 31 December 1999	**49,738**	**3,549**	**18,129**	**4,986**	**1,868**	**67,631**	**2,100,129**	**2,246,030**
Accumulated depreciation:								
At beginning of year	2,927	2,357	16,169	3,927	1,060	25,939	800,261	852,640
Provided during the year	987	342	1,175	522	238	6,340	290,944	300,548
Disposals	–	–	(54)	(95)	(16)	–	(192,069)	(192,234)
At 31 December 1999	**3,914**	**2,699**	**17,290**	**4,354**	**1,282**	**32,279**	**899,136**	**960,954**
Net book value:								
At 31 December 1999	**45,824**	**850**	**839**	**632**	**586**	**35,352**	**1,200,993**	**1,285,076**
At 31 December 1998	43,781	1,020	1,943	1,106	382	41,013	3,031,650	3,120,895

14. Fixed Assets (Continued)

The Group's land and buildings included above are held under the following lease terms:

	Group	
	1999	1998
	HK$'000	*HK$'000*
Hong Kong:		
Medium term	**40,989**	40,989
Elsewhere:		
Medium term	**6,834**	3,804
Long term	**1,915**	1,915
	49,738	46,708

At 31 December 1999, the Group's land and buildings with a net book value of HK$11,996,000 (1998: HK$12,251,000) were pledged to secure general banking facilities granted to the Group (note 20).

During the year, an investment property was transferred to fixed assets at its carrying amount. Had this land and building been carried at historical cost, its cost would have been HK$3,821,000.

Company

	Motor vehicle
	HK$'000
Cost:	
At beginning of year and at 31 December 1999	411
Accumulated depreciation:	
At beginning of year	55
Provided during the year	82
At 31 December 1999	**137**
Net book value:	
At 31 December 1999	**274**
At 31 December 1998	356

15. Investment Property

	Group	
	1999	1998
	HK$'000	*HK$'000*
At beginning of year	**2,557**	2,945
Transferred to fixed assets (note 14)	**(2,557)**	–
Revaluation deficit	**–**	(388)
At end of year	**–**	2,557

16. Interests in Subsidiaries

	Company	
	1999	1998
	HK$'000	*HK$'000*
Unlisted shares, at cost	**615,862**	615,862
Due from subsidiaries	**1,296,513**	1,445,378
	1,912,375	2,061,240

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries, all of which are wholly-owned, are as follows:

Name	**Place of incorporation/ operations @**	**Nominal value of issued share capital ***	**Principal activities**
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	Investment holding
APT Satellite Company Limited	Hong Kong	Ordinary Class 'A' HK$100 Non-voting Deferred Class 'B' HK$542,500,000	Satellite transponder leasing
Acme Star Investment Limited	Hong Kong	HK$2	Investment holding

16. Interests in Subsidiaries (Continued)

Name	Place of incorporation/ operations @	Nominal value of issued share capital *	Principal activities
APT Satellite Enterprise Limited	Cayman Islands	US$2	Satellite transponder leasing
APT Satellite Global Company Limited	Cayman Islands	US$2	Investment holding
APT Satellite Glory Limited	Hong Kong	HK$2	Provision of satellite television uplink and downlink services
APT Satellite Link Limited	Cayman Islands	US$2	Satellite transponder leasing
APT Satellite (USA) Limited+	United States of America	US$320,000	Provision of management services
APT Satellite Vision Limited	Hong Kong	HK$2	Satellite leasing
Haslett Investments Limited	British Virgin Islands	US$1	Investment
Telewell Investment Limited	Hong Kong	HK$2	Investment holding
The 138 Leasing Partnership	Hong Kong	Partners' capital HK$329,128,857	Satellite leasing
Ying Fai Realty (China) Limited	Hong Kong/ The People's Republic of China	HK$20	Property holding

@ *The place of operations is the place of incorporation unless otherwise stated.*

* *All share capital consists of ordinary shares unless otherwise stated.*

\+ *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

All subsidiaries are indirectly held by the Company with the exception of APT Satellite Investment Company Limited.

17. Interest in A Jointly-controlled Entity

	Group	
	1999	1998
	HK$'000	*HK$'000*
Share of net assets	**2,500**	5
Capital contribution paid in advance	**–**	2,495
Due from the jointly-controlled entity	**22**	22
Loan to the jointly-controlled entity	**3,100**	–
	5,622	2,522

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

The loan granted to the jointly-controlled entity is unsecured and repayable in 2005. The loan is interest-free for the first six months from the date of the advance and thereafter bears interest at 6% per annum.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest 1999	Percentage of ownership interest 1998	Principal activity
CTIA VSAT NETWORK LIMITED	Corporate	Hong Kong	**50%**	50%	Not yet commenced business

18. Trade Receivables

	Group	
	1999	1998
	HK$'000	*HK$'000*
Due from third parties	**23,820**	12,190
Due from related parties	**38,486**	9,595
	62,306	21,785

19. Cash and Bank Balances

	Group		Company	
	1999	1998	**1999**	1998
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Pledged	**11,577**	154,321	**–**	–
Not pledged	**513,844**	76,056	**31,994**	1,198
	525,421	230,377	**31,994**	1,198

20. Interest-bearing Bank Loans

	Group		Company	
	1999	1998	**1999**	1998
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loan, unsecured	**77,500**	77,500	**77,500**	77,500
Bank loans, secured	**223,643**	547,208	**–**	38,750
Mortgage loans, secured	**–**	5,174	**–**	–
	301,143	629,882	**77,500**	116,250
Less: Portion classified as current liabilities	**(181,761)**	(401,865)	**(77,500)**	(116,250)
Long term portion	**119,382**	228,017	**–**	–
The amounts are repayable:				
Within one year	**181,761**	401,865	**77,500**	116,250
In the second year	**119,382**	105,146	**–**	–
In the third to fifth years, inclusive	**–**	122,653	**–**	–
Beyond five years	**–**	218	**–**	–
	301,143	629,882	**77,500**	116,250

The Group has assigned, by way of legal charge in favour of the lenders of the bank loans, certain bank accounts and a portion of the transponder receipts. The amount of cash from transponder receipts withheld by the banks as at 31 December 1999 was HK$9,770,000 (1998: HK$154,321,000).

At 31 December 1999, certain of the Group's bank facilities were secured by the Group's land and buildings and time deposits with a net book value of HK$11,996,000 (1998: HK$12,251,000) and HK$1,807,000 (1998: Nil), respectively.

21. Loans from Shareholders

The loans from shareholders are unsecured, bear interest at LIBOR and repayable on demand.

22. Due to a Related Company

The amount due to Super Asia Telecommunications Company Limited is unsecured, interest-free and has no fixed terms of repayment.

23. Trade Deposits Received

These amounts represent reservation fees and deposits received from lessees for satellite transponders booked.

24. Deferred Rental Income

Deferred rental income represents unrecognised revenue received in respect of transponder leases under which customers have obtained the right to use the transponder capacity for the life of the satellite.

25. Deferred Tax

	Group	
	1999	1998
	HK$'000	*HK$'000*
Balance at beginning of year	**111,919**	99,215
Charge to profit and loss account:		
Operating expenses (note 6)	**4,340**	6,804
Taxation (note 10)	**1,600**	5,900
At 31 December	**117,859**	111,919

25. Deferred Tax (Continued)

The principal components of the provision for deferred tax are as follows:

	Group	
	1999	1998
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**9,930**	190,330
Certain leasing arrangements	**107,929**	103,589
Tax losses	**–**	(182,000)
	117,859	111,919

The net deferred tax asset position not recognised in the financial statements is as follows:

	Group and Company	
	1999	1998
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**31**	38
Tax losses	**(614)**	(414)
	(583)	(376)

Certain lease arrangements provide the Group with an initial cash inflow in return for being responsible for the future obligations to make payments of taxation on behalf of the lessor under the lease arrangements. Any differences between the initial benefit and the eventual tax liability are provided for over the lives of the relevant leases and are charged to operating expenses.

26. Issued Capital

Shares

	Company	
	1999	1998
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
420,000,000 shares of HK$0.10 each	**42,000**	42,000

Share options

Pursuant to the Company's share option scheme adopted on 3 December 1997 (the "Scheme"), the Directors of the Company may, at any time and from time to time within ten years after the date on which the Scheme was adopted, invite any full-time employee, including any executive Director or officer, of the Company and its subsidiaries to apply for options to subscribe for shares of the Company. The subscription price for the options is to be determined by the Directors on a case-by-case basis and may not be less than the nominal value of the shares, nor will the price be at a discount of more than 20% below the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), as stated in the Stock Exchange's daily quotation sheets, on the five dealing days immediately preceding the date on which the invitation to apply for an option under the Scheme is resolved by the Directors to be given.

The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the Scheme from time to time. An option may be exercised in accordance with the terms of the Scheme at any time or times as determined by the Directors, being not later than 10 years after the date on which the option is granted or the tenth anniversary of the date of adoption of the Scheme, whichever is the earlier.

No share options were granted during the year and there were no share options outstanding at the balance sheet date.

27. Contributed Surplus

The contributed surplus of the Company arose as a result of the Group reorganisation in 1996 and represented the excess value of the subsidiaries acquired over the par value of the Company's shares issued for their acquisition. Under the Companies Act (1981) of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

The contributed surplus of the Group also arose as a result of the Group reorganisation in 1996 and represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration therefor.

28. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities:

	1999	1998
	HK$'000	*HK$'000*
Profit from operating activities	**453,713**	121,722
Interest income	**(11,530)**	(11,588)
Depreciation	**300,548**	332,983
Revaluation deficit on an investment property	**–**	388
Amortisation of deferred liabilities	**4,340**	6,804
Net book value of the Transponders	**1,539,713**	–
Loss on disposal of fixed assets	**21**	4
Increase in trade receivables	**(40,521)**	(16,989)
Decrease/(increase) in prepayments, deposits and other receivables	**(1,415,902)**	9,249
Increase/(decrease) in other payables	**1,635**	(25,414)
Increase in accruals	**120,892**	40,013
Decrease in trade deposits received	**(34,788)**	(20,214)
Increase/(decrease) in rentals received in advance	**(31,283)**	5,466
Decrease in amount due to ultimate holding company	**–**	(5)
Decrease in amount due to a related company	**(301)**	(1,973)
Decrease in deferred rental income	**(109,127)**	(19,734)
Net cash inflow from operating activities	**777,410**	420,712

28. Notes to the Consolidated Cash Flow Statement (Continued)

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

	Bank loans and other loans	**Loans from shareholders**
	HK$'000	*HK$'000*
Balance at 1 January 1998	787,624	167,965
Net cash outflow from financing activities	(157,742)	(38,750)
Accrued interest expense	–	7,785
Balance at 31 December 1998 and beginning of year	629,882	137,000
Net cash outflow from financing activities	(328,739)	(120,125)
Accrued interest expense	–	3,968
Interest paid	–	(10,580)
Balance at 31 December 1999	**301,143**	**10,263**

29. Related Party Transactions

The Group had the following material transactions with related parties during the year:

		Group	
		1999	1998
	Notes	***HK$'000***	*HK$'000*
Income from leasing of transponders to certain shareholders of the Company	*(i)*	**81,851**	123,195
Income from leasing of transponders to a company which is a fellow subsidiary of a shareholder of the Company	*(i)*	**9,203**	14,531
Compensation income from early termination of a transponder lease agreement with a company which is a fellow subsidiary of a shareholder of the Company	*(ii)*	**26,470**	–
Interest expense on loans from shareholders	*(iii)*	**3,968**	7,785
Launch service fee to a company which is a fellow subsidiary of a shareholder of the Company	*(iv)*	**–**	3,875

Details of the Group's loan to its jointly-controlled entity are included in note 17.

29. Related Party Transactions (Continued)

Notes:

(i) The terms and conditions of these transponder lease agreements are similar to those contracted with other customers of the Group, except that a longer credit period is granted under certain circumstances. Details of the balance due from these related companies at 31 December 1999 are set out in note 18.

(ii) The compensation income was calculated based on the net present value of the future lease income to be recognised over the unexpired terms of the transponder lease agreement.

(iii) The interest expense to shareholders arose from loans, further details of which are disclosed in note 21.

(iv) The Directors consider that the launch service fee was charged according to prices and conditions similar to those offered to other customers by the launch service provider.

30. Commitments

(a) Capital commitments

	Group	
	1999	1998
	HK$'000	*HK$'000*
Authorised and contracted for	**2,095**	–
Authorised, but not contracted for	**–**	44,700
	2,095	44,700

In addition, the Group's share of the capital commitment of the jointly-controlled entity not included in the above is as follows:

	1999	1998
	HK$'000	*HK$'000*
Authorised and contracted for	**138**	–

30. Commitments (Continued)

(b) Commitments under operating leases

At 31 December 1999, the Group and the Company had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the following year as follows:

	Group		Company	
	1999	1998	**1999**	1998
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Leases expiring:				
Within one year	**80**	2,100	**–**	19
In the second to fifth years, inclusive	**1,891**	–	**–**	–
	1,971	2,100	**–**	19

31. Leasing Arrangement

On 29 December 1994, the Company's subsidiaries entered into an arrangement for the leasing of a communication satellite with The 138 Leasing Partnership (the "Partnership"), which became a wholly-owned subsidiary of the Company in 1997. As at 31 December 1999, the bank loans borrowed by the Partnership were covered by funds amounting to HK$483,785,000 (1998: HK$527,499,000) placed with a financial institution under defeasance and other arrangements which have not been included in these financial statements.

32. Contingent Liabilities

(a) At 31 December 1999, the Company had given a guarantee of Nil (1998: HK$193,750,000) to a bank for a bank loan granted to a subsidiary for financing the satellite project progress payments.

(b) In prior years, overseas withholding tax was not charged in respect of the Group's transponder lease income derived from the overseas lessees. From 1999, overseas withholding tax has been charged on certain transponder lease income of the Group and full provision for such withholding tax for the current year has been made in the financial statements. The Directors of the Company are discussing with the relevant tax authority on whether the transponder lease income of the Group earned before 1999 is subject to the new withholding tax rule. The Directors of the Company are of the opinion that the new tax rule should take effect from 1999 and, accordingly, that no provision for the withholding tax in respect of the previous years is necessary. The Group's withholding tax in respect of 1998 and before, calculated at the applicable rates based on the relevant transponder lease income earned in previous years, not provided for in the financial statements amounted to approximately HK$65,198,000.

33. Comparative Amounts

As further explained in note 2, due to the adoption of a new SSAP during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

34. Approval of the Financial Statements

The financial statements were approved by the Board of Directors on 2 May 2000.

Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles

The Company's consolidated financial statements are prepared in accordance with Hong Kong Generally Accepted Accounting Principles ("HK GAAP"), which differ in certain significant respects from United States Generally Accepted Accounting Principles ("US GAAP"). Differences which have a significant effect on the consolidated net income and shareholders' equity are set out below.

(a) Recognition of revenue

Certain of the Group's transponder lease agreements for transponder capacity contain pre-determined escalations over the terms of the agreements. Under HK GAAP, the Group recognises revenue on an accrual basis under the contract terms. Under US GAAP, revenue under these agreements is recognised on a straight-line basis over the terms of the agreements.

(b) Capitalisation of finance costs

Under HK GAAP, interest on loans, including the related costs of raising the loans, incurred specifically to finance the construction of satellites is capitalised as part of the satellite costs until the satellites are substantially ready for their intended use. Under US GAAP, the interest capitalised is computed by applying an average borrowing rate to the total amount of qualifying assets under construction, not to exceed total interest costs incurred, and the related costs of raising the loans are deferred and amortised over the life of the loans. The application of US GAAP would not have a significant effect for the years presented in these financial statements.

(c) Investment properties

Under HK GAAP, investment properties are stated at valuation and are not depreciated. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Under US GAAP, such investment properties would be stated at cost and depreciated over the lease terms.

Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles (Continued)

(d) Deferred taxation

Under HK GAAP, deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Under US GAAP, the tax effects of both taxable and deductible temporary differences are recognised as deferred tax liabilities and assets, respectively. A valuation allowance is recorded to the extent it is considered more likely than not that the deferred tax assets will not be realised.

The effect on net income of significant differences between HK GAAP and US GAAP are as follows:

	1999	1998
	HK$'000	*HK$'000*
Net income as reported under HK GAAP	**374,539**	59,217
Adjustments:		
Recognition of revenue	**(17,138)**	(1,885)
Investment properties	**(49)**	305
Tax effect of reconciling items	**2,881**	302
Approximate net income as reported under US GAAP	**360,233**	57,939
Earnings per share under US GAAP	**85.77cents**	13.80cents

Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles (Continued)

The effect on shareholders' equity of significant differences between HK GAAP and US GAAP is as follows:

	1999 *HK$'000*	1998 *HK$'000*
Shareholders' equity as reported under HK GAAP	**2,358,798**	2,131,259
Adjustments:		
Recognition of revenue	**8,808**	25,946
Investment properties	**447**	496
Tax effect of reconciling items	**(1,409)**	(4,290)
Final dividend declared subsequent to the balance sheet date	**147,000**	–
Shareholders' equity as reported under US GAAP	**2,513,644**	2,153,411

The changes in shareholders' equity in accordance with US GAAP are as follows:

	Capital stock *HK$'000*	**Share premium and contributed surplus** *HK$'000*	**Retained earnings** *HK$'000*
Balance at December 31, 1997	42,000	1,826,522	226,950
Net income	–	–	57,939
Balance at December 31, 1998	42,000	1,826,522	284,889
Net income	–	–	360,233
Balance at December 31, 1999	**42,000**	**1,826,522**	**645,122**

Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles (Continued)

A reconciliation of the expected tax with the actual tax expense under US GAAP is presented below:

	1999	1998
	HK$'000	*HK$'000*
Hong Kong statutory income tax rate	**16%**	16%
Statutory rate applied to income before income taxes under US GAAP	**64,764**	10,058
Prior year overprovision	**–**	(793)
Rebate received relating to prior year	**(1,649)**	–
Overseas withholding tax applied to lease revenue	**24,822**	–
Hong Kong tax credit in respect of overseas withholding tax	**(4,377)**	–
Other income not taxable, net	**(25,002)**	–
Expenses not deductible, net	**–**	2,077
Offshore income not taxable	**(13,014)**	(10,533)
Interest income not taxable	**(1,360)**	(561)
Subsidiaries' losses not deductible	**139**	4,690
Others	**220**	(17)
Actual taxation under US GAAP	**44,543**	4,921

Subsidiaries' losses not deductible represents losses incurred by several subsidiaries which do not produce any taxable income and as such, the losses are not deductible against future profits.

Summary of Significant Differences Between Hong Kong and United States Generally Accepted Accounting Principles (Continued)

An analysis of the actual tax expense under US GAAP is presented below:

	1999	1998
	HK$'000	*HK$'000*
Current tax provision/(written back)	**45,824**	(677)
Deferred tax	**(1,281)**	5,598
	44,543	4,921

Under US GAAP, the loan borrowed by the Partnership would not be offset with the matching offshore deposit held by a wholly-owned subsidiary. As a result, current assets and liabilities would increase by HK$43,714,000 and HK$48,949,000 at December 31, 1998 and 1999, respectively, and long term assets and liabilities would increase by HK$483,785,000 and HK$434,836,000 at December 31, 1998 and 1999, respectively. Similarly, the interest expense on the loan and the matching interest income on the deposit would not be offset, resulting in increases in interest expense and interest income of HK$73,220,000, HK$66,789,000 and HK$61,975,000 in the years ended December 31, 1997, 1998 and 1999, respectively.

Under US GAAP, the Group's consolidated total assets would have been HK$3,950,372,000 and HK$3,802,006,000 at December 31, 1998 and 1999, respectively. Consolidated total liabilities would have been HK$1,796,961,000 and HK$1,435,362,000 at December 31, 1998 and 1999, respectively.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of APT Satellite Holdings Limited ("the Company") will be held at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on 2 June 2000 at 10:00 a.m. for the following purposes:

Ordinary Business

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and the auditors for the year ended 31 December 1999.

2. To declare a final dividend for the year ended 31 December 1999.

3. To elect Directors and to authorise the Board of Directors to fix the Directors' remuneration.

4. To appoint the auditors of the Company and to authorise the Board of Directors to fix the remuneration. (Refer to Note 6)

Special Business

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to purchase shares of HK$0.10 each in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the total nominal amount of the share to be purchased to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held."

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) of this resolution) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements or options which may require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Right Issue (as defined in paragraph (d) of this resolution); or

(ii) any exercise of subscription or conversion rights under any warrants of the Company, or any securities which are convertible into shares of the Company, or any share option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company; or

(iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly;

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(iii) the expiration of the period within which the next annual general meeting is required by the Bye-Laws of the Company or any other applicable laws to be held, and

(d) for the purpose of this Resolution, "Right Issue" means an offer of shares open for a period fixed by the Directors to shareholders on the register of members of the Company on a fixed record date in proportion to their then holding of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to issue, allot and dispose of shares pursuant to Resolution 6 above be and is hereby extended by the addition to the total nominal amount of share capital and any shares which may be issued, allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to Resolution 5 above, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue at the date of this Resolution."

By Order of the Board
Lo Kin Hang, Brian
Company Secretary

Haikou, PRC, 2 May 2000

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited with the Company's branch share registrars in Hong Kong, Tengis Limited at 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time appointed for the meeting or adjourned meeting (as the case may be).

3. The Register of Members of the Company will be closed from Saturday, 27 May 2000 to Friday, 2 June 2000, both days inclusive, during which period no transfers of shares can be registered.

4. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificate must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 26 May 2000.

5. An explanatory statement containing further details as regarding Resolutions 5 to 7 above will be sent together with the Annual Report.

6. Please refer the Proxy From, which is despatched together with the 1999 Annual Report to the members of the Company, for details of the resolution in respect of the appointment of the auditors of the Company at the forthcoming Annual General Meeting.