



**APT Satellite Holdings Limited**  
(Incorporated in Bermuda with limited liability)

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### APT Satellite Holdings Limited

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Annual  
Report 2000

# Corporate Information

## DIRECTORS

### **Executive directors**

Chen Zhaobin (*President*)  
(appointed on 10 February 2001)

Cui Xinzheng (*Vice President*)  
(appointed on 10 February 2001)

Qin Shen  
(resigned on 2 February 2000)

### **Non-executive directors**

Liu Ji Yuan (*Chairman*)

He Ke Rang (*Vice Chairman*)  
(resigned as President and  
re-designated as non-executive  
director on 10 February 2001)

Zhou Ze He (*Vice Chairman*)

Wong Hung Khim

Lim Toon

Hsu Chih Chang

Wu Zhen Mu

Lu Xiaochun  
(appointed on 24 July 2000)

Wu Jinfeng  
(appointed on 10 February 2001)

Lim Shyong  
(appointed on 21 March 2001)

Tay Chek Khoon  
(appointed on 21 March 2001)

Yang Tze-kaing  
(appointed on 21 March 2001)

Loh Yim Kew  
(resigned as alternate director to  
Wong Hung Khim and Lim Toon  
and appointed as a director  
on 8 November 2000; resigned  
as a director and appointed as  
alternate director to Lim Shyong  
on 21 March 2001)

Lim Bee Ling

(appointed on 8 November 2000;  
resigned as a director and appointed  
as alternate director to Tay Chek  
Khoon on 21 March 2001)

Zhang Jia De  
(resigned on 2 February 2000)

Wong Kit Ming  
(resigned on 31 May 2000)

Zhu You Jun  
(resigned on 31 May 2000)

Liang Wen Hao  
(resigned on 24 July 2000)

Chen Ji Bin  
(resigned on 10 February 2001)

Lee Hsiang Wei  
(resigned on 21 March 2001)

### **Independent Non-executive Directors**

Li Kwok Wing, Meocre

Yuen Pak Yiu, Philip

## COMPANY SECRETARY

Lo Kin Hang, Brian

## AUTHORISED REPRESENTATIVES

Chen Zhaobin

Lo Kin Hang, Brian

## PRINCIPAL BANKERS

Hua Chiao Commercial Bank Limited

Sin Hua Bank Limited

The Hongkong and Shanghai  
Banking Corporation Limited

Credit Lyonnais

## Corporate Information

### AUDITORS

Deloitte Touche Tohmatsu

### LEGAL ADVISORS

Baker & McKenzie

Preston Gates & Ellis LLP

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

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited

4th Floor 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, 10286

USA

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM 11

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

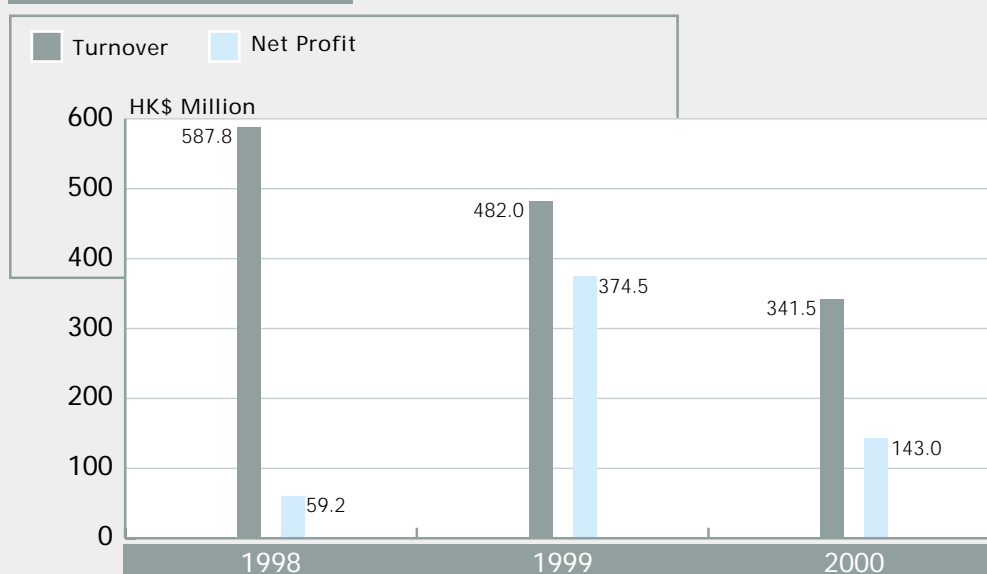
Web-site: [www.apstar.com](http://www.apstar.com)

e-mail: [aptnk@apstar.com](mailto:aptnk@apstar.com) (Marketing)

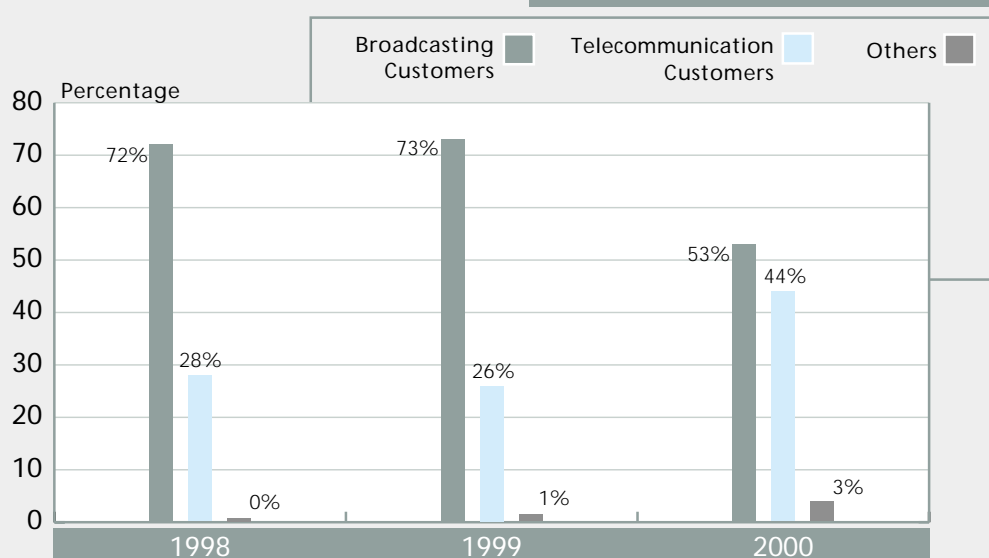
[aptir@apstar.com](mailto:aptir@apstar.com) (Investors Relation)

# Financial Highlights

Turnover & Net Profit

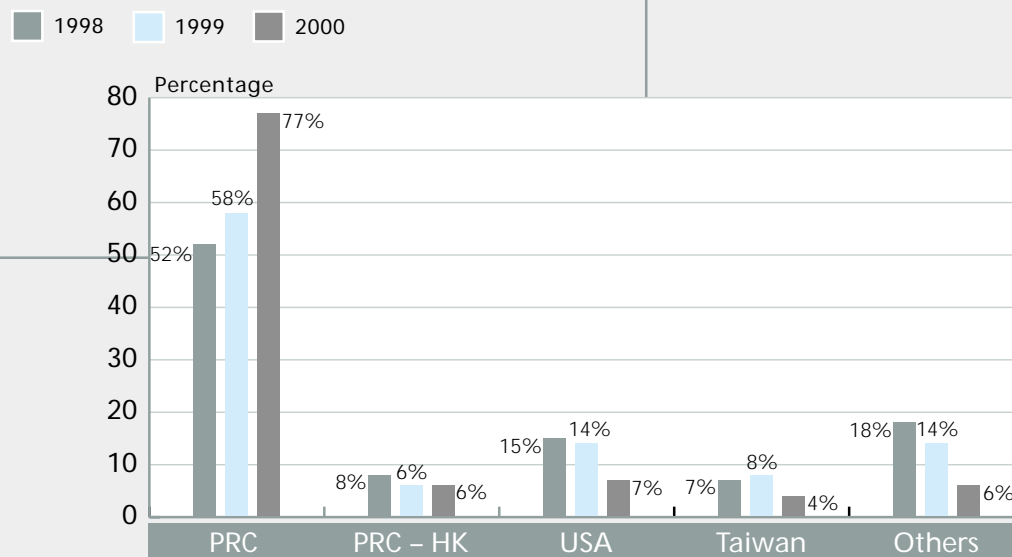


Turnover Breakdown by Business

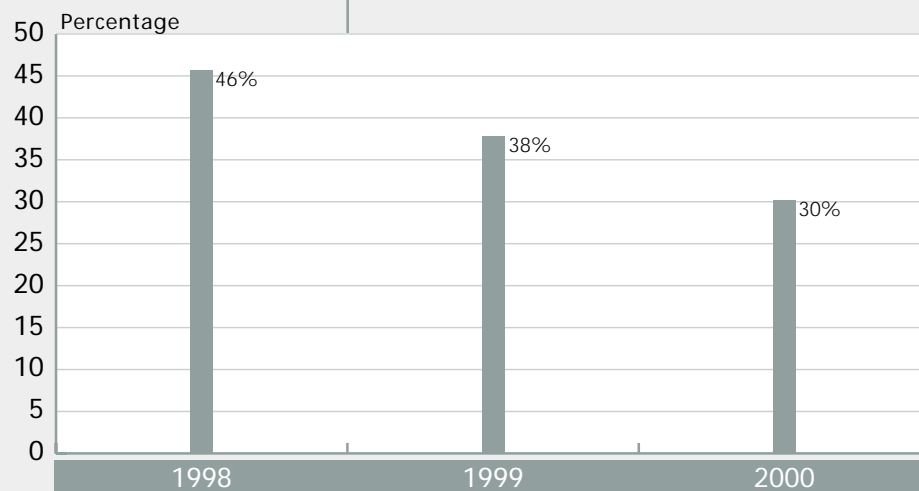


## Financial Highlights

Turnover Breakdown by Region



Total Liabilities to Total Assets Ratio



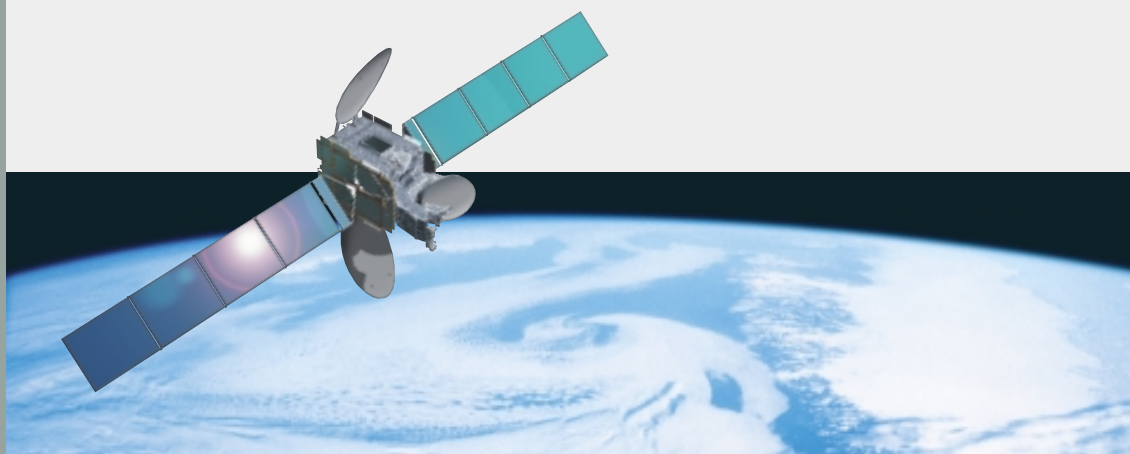
# Chairman's Statement



**Mr. Liu Ji Yuan**  
*Chairman*



**Mr. Chen Zhaobin**  
*Executive Director and President*



## Chairman's Statement

### THE TOP MANAGEMENT OF APT GROUP



From left: Mr. Victor Kwok, Vice President; Mr. Cui Xinzhen, Executive Director and Vice President; Mr. Leng Yi Shun, Vice President; Mr. Chen Zhaobin, Executive Director and President; Mr. Wu Shou Kang, Chief Engineer; Mr. Lo Kin Hang, Brian, Assistant to President and Company Secretary

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") in respect of the financial year ended 31 December 2000 prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESULTS

For the year ended 31 December 2000, the Group's turnover and net profit for the year were HK\$341,496,000 (1999: HK\$481,958,000) and HK\$142,996,000 (1999: HK\$374,539,000) respectively. Earnings per share was HK34.26 cents (1999: HK89.18 cents)

### DIVIDEND

In view of the profit recorded by the Group for the year 2000, and considering the Group's future business development, the Board recommends the payment of a final dividend of HK15 cents (1999: HK35 cents), which amounts to HK\$61,920,000. Including the interim dividend of HK5 cents that was paid on 18 October 2000 (1999: nil), the total amount of dividend to be paid for the whole year is HK20 cents per share (1999: HK35 cents per share). This recommendation is subject to shareholders' approval at the Company's Annual General Meeting to be held on Tuesday, 22 May 2001. Upon approval, the payment of the final dividend shall be made on Friday, 22 June 2001 to shareholders recorded in the Company's Register of Members on 22 May 2001.

### BUSINESS REVIEW

During the period under review, economies of the Asia Pacific region including the PRC had shown recovery, which triggered investment and market demand in the telecommunications and broadcasting sectors. Simultaneously, the supply and demand for regional satellite transponders gradually balanced off with slightly improved market situation and keener competition.

## Chairman's Statement

The Group's three in-orbit satellites APSTAR I, APSTAR IA and APSTAR IIR satellites, together with the corresponding telemetry, tracking and control systems were well-rendered during the year. The average utilization rate of APSTAR I and APSTAR IA satellites was approximately 62.5%, and 100% for APSTAR IIR as of the end of 2000. In the future, followed by the commissioning of APSTAR V satellite and the continuous effort of our staff, the leasing rates of both APSTAR I and APSTAR IA satellites will increase accordingly.

### APSTAR V SATELLITE

APT Satellite Company Limited, a wholly-owned subsidiary of the Group, together with Space Systems/Loral, Inc., of the United States ("SS/L"), and China Great Wall Industry Corporation respectively signed the Procurement and the Launch Agreements of APSTAR V satellite on 8 January 2001, to confirm the commissioning of the satellite which will replace the APSTAR I as it would retire in the middle of 2004. APSTAR V satellite, a high power satellite based on a FS1300 model satellite manufactured by SS/L, will comprise 38 C-band and 16 Ku-band transponders and the expected mission life would be over 13 years. The satellite will be located at the geostationary orbital slot of 138 degree East, and the footprints of C-band transponders will cover substantially all of the Asian countries in the Asia Pacific region. They include: Pakistan, India, the PRC, Korea, Japan, Australia, New Zealand, South Pacific and Hawaii. The footprints of Ku-band transponders are spanning across the PRC (Beam One), East Asia and Australia (Beam Two). APSTAR V satellite is scheduled to launch on board the LM-3B launch vehicle at Xichang Satellite Launch Center in February 2003. The commercial operation of this satellite will take place in the first quarter of 2003 to provide the Asia Pacific region with high quality and reliable broadcasting and telecommunications services. APSTAR V satellite involves a total project cost of approximately US\$230 million (approximately HK\$1,794 million), which is expected to be funded by internal resources and bank loan of the Group.

### SATELLITE CONTROL CENTRE PHASE II AND THE NEW DATA CENTRE

In order to cope with the operations and control of APSTAR V satellite, the Group held the ground-breaking ceremony of the second phase of its Satellite Control Center on 9 January 2001 at the land located adjacent to its existing Satellite Control Center in Tai Po, Hong Kong. The total site area of Phase 2 is approximately 57,000 square feet and the total floor area exceeds 60,000 square feet. The site is specially designed for providing telemetry, tracking and command facilities (TT&C), as well as accommodating the three large satellite antennae for the newly commissioned high power satellite, APSTAR V. Furthermore, it will include a new data center for the telecommunications services. The total investment cost for the new Satellite Control Center amounts to approximately HK\$200 million, which will be financed by the Group's internal resources or bank loans. Construction will be completed by the end of 2001 and some parts of the Center will commence operation to generate profit.

### SATELLITE TV BROADCASTING AND TELECOM SERVICES

The Group is progressively re-formulating its business strategy and market position after being granted the Satellite Television Broadcasting Licence in July 1999. It expanded from mainly providing satellite transponder leasing to include satellite television broadcasting and telecommunications services.

## Chairman's Statement

In order to expand its telecommunications services business, APT Satellite Telecommunications Limited ("APT Telecom") was jointly established in June 2000 by the Group and SingaSat Private Limited, a wholly-owned subsidiary of Singapore Telecommunications Limited with respective shareholdings of 55% and 45%. APT Telecom was granted a satellite-based external Fixed Telecommunication Network Services ("FTNS") licence in Hong Kong in June last year. At the same time, APT Telecom was in principle granted a cable-based external FTNS licence and committed to invest in APCN2 and C2C submarine cable projects. The company had already started commercial operation in the second half of last year and step-by-step providing customers with various kinds of external telecommunications services including VSAT, Internet Point-of-Present (POP) gateway, wholesale telecoms services, facility management and Internet infrastructures.

### TELECOMMUNICATIONS INFRASTRUCTURE

To continue with its business development, as well as in line with its new business strategy and positioning, the Group is committed to making every effort to improve itself by capitalising resources to build the telecommunications infrastructure projects that suit future development needs. Apart from the new APSTAR V satellite, the Group had also committed to invest approximately HK\$400 million in developing a Telepark through APT Telecom for providing comprehensive "one-stop" telecommunications solutions. The Telepark will be located adjacent to the Group's Satellite Control Center, with a site area of 74,000 square feet, total floor area of 180,000 square feet including a data center of approximately 120,000 square feet. The Telepark is expected to begin commercial operation in the second half of 2002, providing customers with various kinds of advanced telecommunications services through satellites and cables, as well as linking the Asia Pacific region including the PRC, northern America and Europe to develop the Group's telecommunications business and to generate new profit sources.

### BUSINESS STRATEGY AND MARKET DEVELOPMENT

The Group will focus on the development of new business strategy to cope with its marketing plans.

The global economy will be having adjustment due to the expected slowdown of the United States's economy, and the consecutive interest rates cut starting from January this year, which will have influence on the recovery of the Asia Pacific region. The Group will follow closely the economic conditions and constantly review its corporate strategy and business plans to cope with external factors, especially the changing economic conditions to maintain the best development plans and momentum of the Group.

### STABLE FINANCIAL CONDITION

The Group's financial structure is very strong with sufficient internal resources for the development of satellite and telecommunications projects in the future. At the end of 2000, the Group maintained a cash balance of approximately HK\$1.7 billion and its gearing ratio (Total liabilities/Total assets) decreased to 30%. The financial cost dropped by 52%, enhancing the operating efficiency of the Group.

## Chairman Statement

### CONCLUSION

Followed by the expansion of its telecommunications, satellite television services and commissioning of the new satellite project, the Group will actively prepare itself for future corporate development as well as opening up new business opportunities which are satellite-based and of high growth potential. Meanwhile, the Group will adopt prudent principle following closely external economic conditions to develop appropriate strategy at the right time.

### NOTE OF APPRECIATION

On behalf of all shareholders and the Board, 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 during the year. In particular, we would like to thank Mr. He Ke Rang, who has resigned as the Group's President due to retirement, for his guidance and contribution to the development of the Group over the past nine years.

**Liu Ji Yuan**  
*Chairman*

Zhuhai, PRC  
7 April 2001

# Directors' and Senior Management's Profile

## EXECUTIVE DIRECTORS

**Mr. CHEN Zhaobin**, aged 45, was appointed as the Executive Director and President of the Company in February 2001. He is responsible for the overall management of the Company. He graduated with a Bachelor's Degree in Engineering from the Beijing University of Posts and Telecommunications in 1982 and accredited as a Senior Engineer. He held the posts of Deputy General Manager of China Telecommunications Broadcast Satellite Corporation ("ChinaSat"), Vice-Chairman and President of China Telecom (Hong Kong) Limited (presently known as China Mobile (Hong Kong) Limited) and China Telecom (Hong Kong) Group Limited, Director and Deputy President of Telpo Communications (Group) Limited, and the Deputy Director of the Office of Coordination Production of the Ministry of Posts and Telecommunications of the PRC (presently known as Ministry of Information Industry ("MIIT")). Mr. Chen has many years' of experience in post and telecommunication fields and in corporate management.

**Mr. CUI Xinzheng**, aged 47, was appointed as the Executive Director and Vice President of the Company in February 2001. He is responsible for the daily management and administrative issues of the Company. He had served as the Director of General Office, Deputy Director of ChinaSat; the Deputy Director of Research Division of Beijing Micro-Electronics Technology Institute. He graduated from Graduate School of Chinese of Social Sciences Academy. He has 30-year experience in economics management and has much experience of the operation of satellite telecommunication.

**Mr. QIN Shen**, aged 58, was appointed as a Director and Vice President (until the end of September 1999) of the Company in October 1996 and had 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.

## Directors' and Senior Management's Profile

### NON-EXECUTIVE DIRECTORS

**Mr. LIU Ji Yuan**, aged 67, 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 Aerospace Industry (later 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. HE Ke Rang**, aged 65, was appointed as the Vice Chairman and President in October 1996. He resigned as the President and was re-designated as Non-executive Director in February 2001. 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 (later known as China Aerospace Corporation). 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 Corporation. 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.

## Directors' and Senior Management's Profile

**Mr. ZHOU Ze He**, aged 59, 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).

**Mr. WONG Hung Khim**, aged 62, 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. He was the Executive Director of the Port of Singapore Authority from 1979 to 1987. From 1984 to 1987, Mr. Wong was Permanent Secretary of MSA, which subsequently became the Ministry of Community Development. From July 1987, he was appointed the President and CEO of the Telecommunication Authority of Singapore and oversaw its privatization into Singapore Telecommunications Limited (Singapore Telecom) in October 1993. Mr. Wong was appointed President and CEO of Singapore Telecom in March 1992. From May 1995 to September 2000, he served as the Deputy Chairman of Singapore Telecom. From 3 November 1993 to 31 December 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 Limited (formerly known as Singapore Bus Service (1978) Ltd.).

**Mr. LIM Toon**, aged 58, was appointed as a Director of the Company in October 1996 and has been a Director of APT since February 1993. In 1966, Mr. Lim graduated from the University of Canterbury in New Zealand, with a first class honours degree in Engineering. In 1975, Mr Lim obtained a Postgraduate Diploma in Business Administration from the University of Singapore. He attended the Advanced Management Programme at Harvard Business School in 1992. He has been the Chief Operating Officer of SingTel since April 1999 and has worked for Singapore Telecom since 1970, serving in various appointments of engineering, radio services, traffic operations, personnel, training and information systems departments. He was appointed Executive Vice President of Network Services in April 1989 and Executive Vice President of International Services in April 1994. He 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.

## Directors' and Senior Management's Profile

**Mr. HSU Chih Chang**, aged 42, 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. WU Zhen Mu**, aged 55, 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. LU Xiaochun**, aged 40, was appointed as Director of the Company in July 2000. Mr. Lu graduated from Beijing University of Aeronautics and Astronautics where he obtained a bachelor degree. He had been an Engineer, Senior Engineer and then Director of Research Institute of the General Design Department of Shanghai Aerospace Bureau. He had studied in Fachhochschule Heibronn of Germany as Visiting Scholar. Since 1993, he served in chronological order, as a Deputy Director of Pre-Research Division, Assistant to President of Shanghai Aerospace Bureau, Vice Chairman of the Board of Shanghai Aerospace Corporation, and Research Fellow and Vice President of Shanghai Aerospace Bureau. He was responsible for the scientific research and production of Shanghai Aerospace Bureau. He possesses over ten years of experience in managing and operating high-tech industries. In addition, he is the Chairman of China Aerospace International Holdings Limited, a listed company in Hong Kong, and also a part-time professor of Beijing University of Aeronautics and Astronautics and a Standing Committee Member of the Shanghai Aeronautics Society and a Director of The Hong Kong Chinese Enterprises Association.

**Mr. WU Jinfeng**, aged 40, was appointed as Director of the Company in February 2001. He graduated from University of Science & Technology of China in 1983 and from Guanghua School of Management, Beijing University in 2000. He possesses a Master's degree in Business Administration, and Senior Engineer. He is the Deputy General Manager of ChinaSat and is responsible for the development of and control of satellite systems and business and market development of satellite telecommunications. He had been the General Manager of Satellite Business Division and the Deputy Director of Telecommunications Division of ChinaSat. He also taught at University of Science & Technology of China. He has much experience of the operation of satellite telecommunication and corporate management.

## Directors' and Senior Management's Profile

**Mr. LIM Shyong**, aged 50, was appointed as Director of the Company on 21 March 2001. Mr. Lim joined SingTel in 1972, after graduating from the University of Singapore with an Electrical Engineering Degree. Mr Lim's experience in SingTel has extended widely ranging from domestic telecommunication network engineering, national wireless services sales to international telecommunication businesses. In the International Carrier business, he had established relations with important foreign partners and carriers to introduce SingTel's voice and data services globally as well as establishing SingTel's own voice nodes in the liberalised markets. He was also responsible in setting up SingTel's network of oversea offices in Asia, Europe and North America. In the last 3 years, Mr. Lim established SingTel's wholly owned and controlled Global Network Infrastructure for voice and data services as well as deploying it for IP peering in Asia, Europe and the USA. He was also involved in the successful launch of Singapore's first satellite, ST-1 in August 1998. In 1981, Mr. Lim was awarded the French Government Scholarship to pursue the MBA programme at INSEAD (European Institute of Business Administration). In 1991, he was awarded the Public Administration Medal by the Singapore Government for his contributions to the development of Singapore's telecommunications industry. He is currently Executive Vice President of Global Business in SingTel and the Chairman of the Board of C2C Private Limited.

**Mr. TAY Chek Khoon**, aged 50, was appointed as Director of the Company on 21 March 2001. Mr. Tay joined SingTel in 1975, after graduating from the University of Liverpool, United Kingdom with an Engineering Degree. After an extensive training program in Pulse Code Modulation projects and satellite communication work, he was posted to Washington DC USA in 1982 to represent the Intelsat ASEAN Group as the Resident Alternate Governor. Mr. Tay's extensive telecommunication experience in SingTel ranged from media planning for both international submarine cable and satellite network systems to international carrier business. He was Director of International Carrier Business from 1995 where he also obtained the Certificate of International Management from INSEAD. In 1997, he was the Managing Director of International Operations responsible for set-up and management of SingTel's 18 overseas offices to provide regional support for SingTel's corporate clients. In 2000, he was the Vice President of Wholesale Account Management, responsible for managing SingTel's relations with other telecommunication carriers and also managing international and domestic wholesale business. He is now the Vice President of Satellite Business and Global Management responsible for all the satellite business and infrastructure in SingTel including the international gateways and global voice network.

**Mr. Yang Tze-kaing**, aged 47, was appointed as Director of the Company in March 2001. After graduating from National Chengchi University, Mr. Yang received his MBA from the University of Illinois at Urbana-Champaign and returned to the Graduate School of Business Administration at National Chengchi University for his doctorate. He worked at the International Commercial Bank of China and entered China Development Industrial Bank (CDIB) in 1988 where he served as Vice President and was eventually named First Vice President and General Manager of the Investment Banking and Trust Department. Mr. Yang held the positions of Senior Vice President and General Manager of the Direct Investment Department and was later promoted to Executive Vice President of CDIB. When CDIB & Partners Investment Holding Corporation was founded, Mr. Yang was named Senior Executive Vice President in charge of daily operations and leads of group of diverse professionals. Mr. Yang is one of the most recognized experts in Taiwan's investment banking community.

## Directors' and Senior Management's Profile

**Ms. LOH Yim Kew**, aged 48, was appointed as an Alternate Director of the Company to Mr. Lim Shyong in March 2001. She was a Director of the Company from November 2000 to March 2001 and was an Alternate Director of the Company to Mr. Lim Toon and Mr. Wong Hung Khim from July 1999 to November 2000. Ms. Loh graduated from the University of Singapore with a First 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.

**Ms. LIM Bee Ling**, aged 36, was appointed as an Alternate Director of the Company to Tay Chek Khoon in March 2001. She was a Director of the Company from November 2000 to March 2001. Ms. Lim graduated from the National University of Singapore in 1987 with a Second Class Honours Degree in Accountancy. She was with the Monetary Authority of Singapore before joining SingTel in 1991. She obtained her Chartered Financial Analyst qualification in 1995. Ms. Lim is now the Treasury Director of SingTel, in charge of cash and investment management, financing, foreign exchange, insurance and risk management for the SingTel Group.

**Mr. ZHANG Jia De**, aged 63, 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 Institute of Beijing. He resigned as the Director of the Company with effect from 2 February 2000.

**Mr. WONG Kit Ming**, aged 56, 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. He resigned as a Director of the Company with effect from 31 May 2000.

**Mr. ZHU You Jun**, aged 65, 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. He resigned as a Director of the Company with effect from 31 May 2000.

## Directors' and Senior Management's Profile

**Mr. LIANG Wen Hao**, aged 60, 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 (recently 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 was an executive director of China Aerospace International Holdings Limited. He resigned as a Director of the Company with effect from 24 July 2000.

**Mr. CHEN Ji Bin**, aged 66, 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. He resigned as a Director of the Company with effect from 10 February 2001.

**Mr. LEE Hsiang Wei**, aged 41, 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. He resigned as a Director of the Company with effect from 21 March 2001.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LI Kwok Wing, Meocre**, aged 46, 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.

## Directors' and Senior Management's Profile

**Mr. YUEN Pak Yiu, Philip**, aged 65, 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 63, 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.

**Mr. Victor KWOK**, aged 45, joined the Company on March 17th, 2001. Mr. Kwok is responsible for Marketing and Sales division of the Group. Prior to joining APT, Mr. Kwok was the Managing Director of Global Services Development in SingTel. Mr. Kwok established the SingTel's global communication network and services, ConnectPlus, as well as SingTel's global internet backbone to US and the Asian region, SingTel IX. Mr. Kwok has also been active in the alliance development works during this period. Mr. Kwok has been with SingTel for the last twenty years and has held management positions in Corporate Product Marketing and Corporate Account Management. Mr. Kwok has been seconded to be the Managing Director of STI Svenska in 1995 and Acting CEO of SingCom, Australia in 1994. Mr. Kwok graduated from National University of Singapore with an Honors Degree in Electrical Engineering and an MBA degree in 1981 and 1987 respectively. Mr. Kwok also attended the Harvard Business School's International Senior Management Program in May, 1993.

## Directors' and Senior Management's Profile

**Mr. LO Kin Hang, Brian**, aged 44, 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 Securities. 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.

**Mr. WU Shou Kang**, aged 61, has been the Chief Engineer of the Group since February 2001. He joined the Group in 1993. Mr. Wu graduated from Beijing Institute of Post & Telecommunications in 1963 and served for the First Institute of Research of Ministry of Post and Telecommunications of the PRC in the same year. Since 1972, he had organized and participated in satellite telecommunication researches in various topics such as transmission, equipment development, the design of satellite telecommunication network of the PRC, commissioning and technical support. During that period, he was designated as senior engineer and he was also awarded the Government Special Incentive and the Certificate from the State Council of PRC for his contributions to the development of science and technology in PRC. He had been the tutor of the research students of Professional Master of Satellite Telecommunication network.

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2000.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance and operation of satellite telecommunication systems.

## SEGMENTAL INFORMATION

Details of the segmental information are set out in note 34 to the financial statements.

## RESULTS AND DIVIDENDS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2000 are set out in the consolidated income statement on page 28 and the accompanying notes to the financial statements.

The directors recommend the payment of a final dividend of HK15 cents per share which, together with the interim dividend of HK5 cents per share paid during the year, makes a total cash dividend of HK20 cents per share for the year.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 58.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended 31 December 2000 are set out in note 12 to the financial statements.

## SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2000 are set out in note 32 to the financial statements.

Details of the Company's interest in a subsidiary not consolidated are set out in note 15 to the financial statements.

## JOINTLY CONTROLLED ENTITY

Details of the Company's interest in a jointly controlled entity are set out in note 14 to the financial statements.

### SHARE CAPITAL

During the year, the Company repurchased a total of 7,200,000 of its own shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are set out in note 19 to the financial statements.

### RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in note 21 to the financial statements.

### BORROWINGS

Details of the Group's bank borrowings are set out in note 17 to the financial statements. No interest was capitalised by the Group during the year.

## Directors' Report

### DIRECTORS

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

#### **Executive directors**

Chen Zhaobin ( <i>President</i> )	(appointed on 10 February 2001)
Cui Xinzhen ( <i>Vice President</i> )	(appointed on 10 February 2001)
Qin Shen	(resigned on 2 February 2000)

#### **Non-executive directors**

Liu Ji Yuan ( <i>Chairman</i> )	
He Ke Rang ( <i>Vice Chairman</i> )	(resigned as President and re-designated as non-executive director on 10 February 2001)
Zhou Ze He ( <i>Vice Chairman</i> )	
Wong Hung Khim	
Lim Toon	
Hsu Chih Chang	
Wu Zhen Mu	
Lu Xiaochun	(appointed on 24 July 2000)
Wu Jinfeng	(appointed on 10 February 2001)
Lim Shyong	(appointed on 21 March 2001)
Tay Chek Khoon	(appointed on 21 March 2001)
Yang Tze-kaing	(appointed on 21 March 2001)
Loh Yim Kew	(resigned as alternate director to Wong Hung Khim and Lim Toon and appointed as a director on 8 November 2000; resigned as a director and appointed as alternate director to Lim Shyong on 21 March 2001)
Lim Bee Ling	(appointed on 8 November 2000; resigned as a director and appointed as alternate director to Tay Chek Khoon on 21 March 2001)
Zhang Jia De	(resigned on 2 February 2000)
Wong Kit Ming	(resigned on 31 May 2000)
Zhu You Jun	(resigned on 31 May 2000)
Liang Wen Hao	(resigned on 24 July 2000)
Chen Ji Bin	(resigned on 10 February 2001)
Lee Hsiang Wei	(resigned on 21 March 2001)

#### **Independent non-executive directors**

Li Kwok Wing, Meocre
Yuen Pak Yiu, Phillip

## Directors' Report

### DIRECTORS (CONTINUED)

In accordance with Article 86(2) and Article 87 of the Company's bye-laws, Messrs Chen Zhaobin, Cui Xinzhen, He Ke Rang, Lim Toon, Lu Xiaochun, Wu Jinfeng, Lim Shyong, Tay Chek Khoo, Yang Tze-kaing and Li Kwok Wing, Meocre will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The remaining directors continue in office.

Mr. Chen Zhaobin and Mr. Cui Xinzhen have entered into service contracts with the Company for an initial term of three years, commencing 10 February 2001 and 1 February 2001 respectively and continuing thereafter until terminated by either party giving to the other not less than six months' notice.

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

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 December 2000, Mr. Leng Yi Shun, Vice-President of the Group, had personal interests in 500 shares of the Company.

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 20 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 the Company any other body corporate.

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

## Directors' Report

### 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.

### INTERESTS IN COMPETING BUSINESS DISCLOSURES

At 31 December 2000, the following non-executive directors of the Company are also directors in other businesses, 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 system and services and investment holding. The turnover of the company for the nine months ended 31 December 2000 was S\$3.7 billion and the market capitalisation was S\$41.5 billion (based on 31 December 2000).
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 nine months ended 31 December 2000.
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 559 million for the nine months ended 31 December 2000.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, 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	51.89

Messrs. He Ke Rang, Chen Ji Bin, Wong Hung Khim, Hsu Chih Chang, Lim Toon, Lee Hsiang Wei, Liu Ji Yuan, Zhou Ze He, Lu Xiaochun, Wu Zhen Mu, Ms. Loh Yim Kew and Ms. Lim Bee Ling, Directors of the Company, are also Directors of APT Satellite International Company Limited.

Save as disclosed above, the Company has not been notified of any interest representing 10% or more of the Company's issued share capital at 31 December 2000.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in note 19 to the financial statements, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

In 2000, the largest customer accounted for 36% (1999: 26%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 75% (1999: 52%) of the turnover for the year. Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

## HUMAN RESOURCES

The remuneration packages of employees are commensurate to their respective responsibilities and remain competitive under the current market trends. The Group has joined the Mandatory Provident Fund in December 2000 and is in the process to propose a new share option scheme (the "New Scheme") to replace the existing share option scheme. A summary of the New Scheme has been contained in an explanatory statement, which will be sent together with the Annual Report to the shareholders.

## 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.

## Directors' Report

### 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 (the "Listing Rules") 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 and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company.

The Audit Committee held its Meeting on 16 March 2001 at which the Committee reviewed the audited financial report of the Group for the year ended 31 December 2000.

### AUDITORS

Messrs. Ernst & Young retired at the last annual general meeting of the Company and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Chen Zhaobin**  
*Director*

**Cui Xinzheng**  
*Director*

Zhuhai, PRC  
7 April 2001

# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE SHAREHOLDERS OF APT SATELLITE HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 28 to 57 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to circumstances of the Company and the Group, 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 of the state of affairs of the Company and the Group as at 31 December 2000 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.

**Deloitte Touche Tohmatsu**

Hong Kong  
7 April 2001

# Consolidated Income Statement

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Turnover	3	341,496	481,958
Cost of services		(261,518)	(355,526)
		79,978	126,432
Other revenue	4	179,742	436,016
Administrative expenses		(65,540)	(84,395)
Profit from operations	5	194,180	478,053
Finance costs	6	(15,338)	(31,750)
Share of results of a jointly controlled entity		(101)	–
Share of results of a subsidiary not consolidated		(1,234)	–
Profit before tax		177,507	446,303
Taxation	8	(34,511)	(71,764)
Net profit for the year	9	142,996	374,539
Dividends	10	(82,725)	(147,000)
Profit for the year, retained		60,271	227,539
Earnings per share – basic	11	HK34.26 cents	HK89.18 cents

There were no recognised gains or losses other than the net profit for the year.

# Consolidated Balance Sheet

At 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Property, plant and equipment	12	1,101,868	1,285,076
Interest in a jointly controlled entity	14	10,861	5,622
Interest in a subsidiary not consolidated	15	11,567	–
Pledged bank deposits	27	379,668	434,836
Club memberships		5,537	5,537
		<b>1,509,501</b>	<b>1,731,071</b>
Current assets			
Trade receivables	16	59,928	62,306
Deposits, prepayments and other receivables		33,551	1,425,004
Loan to a jointly controlled entity	14	46,500	–
Tax recoverable		1,424	–
Pledged bank deposits		65,641	60,526
Bank balances and cash		1,704,606	513,844
		<b>1,911,650</b>	<b>2,061,680</b>
Current liabilities			
Other payables and accrued charges		73,288	125,169
Rentals received in advance		20,111	21,270
Dividend payable		64,320	147,000
Tax payable		56,425	65,748
Bank borrowings due within one year	17	175,320	230,710
Loans from shareholders		–	10,263
Amount due to a related company	18	1,709	1,849
		<b>391,173</b>	<b>602,009</b>
Net current assets		<b>1,520,477</b>	<b>1,459,671</b>
		<b>3,029,978</b>	<b>3,190,742</b>

## Consolidated Balance Sheet

At 31 December 2000

		2000	1999
	Notes	HK\$'000	HK\$'000
Capital and reserves			
Share capital	19	41,280	42,000
Reserves	21	2,345,540	2,316,798
		<b>2,386,820</b>	2,358,798
Non-current liabilities			
Bank borrowings due after one year	17	379,668	554,218
Deposits received	22	25,852	25,073
Deferred income	23	114,112	134,794
Deferred taxation	24	123,526	117,859
		<b>643,158</b>	831,944
		<b>3,029,978</b>	3,190,742

The financial statements on pages 28 to 57 were approved by the Board of Directors on 7 April 2001 and are signed on its behalf by:

**Chen Zhaobin**  
Director

**Cui Xinzheng**  
Director

# Balance Sheet

At 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Property, plant and equipment	12	192	274
Interest in subsidiaries	13	1,992,328	1,912,375
		<b>1,992,520</b>	1,912,649
Current assets			
Other receivables and prepayments		539	970
Amount due from a subsidiary		–	77,500
Dividend receivable		63,000	147,000
Bank balances and cash		42,571	31,994
		<b>106,110</b>	257,464
Current liabilities			
Other payables and accrued charges		1,013	3,460
Bank borrowings	17	–	77,500
Dividend payable		64,320	147,000
		<b>65,333</b>	227,960
Net current assets		<b>40,777</b>	29,504
		<b>2,033,297</b>	1,942,153
Capital and reserves			
Share capital	19	41,280	42,000
Reserves	21	1,869,425	1,900,153
		<b>1,910,705</b>	1,942,153
Non-current liability			
Amount due to a subsidiary		122,592	–
		<b>2,033,297</b>	1,942,153

**Chen Zhaobin**  
Director

**Cui Xinzheng**  
Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	1,641,729	777,410
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		90,051	9,556
Interest paid		(24,768)	(42,761)
Dividend paid		(165,405)	–
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(100,122)	(33,205)
TAXATION			
Hong Kong Profits Tax (paid) refund		(26,292)	5,991
Overseas tax paid		(13,299)	(1,282)
TAXATION PAID		(39,591)	4,709
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(35,228)	(1,910)
Proceeds on disposal of partial interest in a jointly controlled entity		3,000	–
Proceeds on disposal of property, plant and equipment		2,126	4
Advance to a jointly controlled entity		(52,340)	(3,100)
Advance to a subsidiary not consolidated		(12,801)	–
Decrease in pledged bank deposits		50,053	186,458
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(45,190)	181,452
NET CASH INFLOW BEFORE FINANCING		1,456,826	930,366
FINANCING	26		
Repurchase of shares		(32,249)	–
New borrowings raised		–	49,102
Repayment of borrowings		(233,815)	(541,680)
NET CASH OUTFLOW FROM FINANCING		(266,064)	(492,578)
INCREASE IN CASH AND CASH EQUIVALENTS		1,190,762	437,788
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		513,844	76,056
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		1,704,606	513,844

# Notes to the Financial Statements

For the year ended 31 December 2000

## 1. GENERAL

The Company is a public company incorporated in Bermuda and its shares are listed on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. The Company's ultimate holding company is APT Satellite International Company Limited, a private company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance and operation of satellite telecommunication systems.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, other than a subsidiary excluded for the reasons referred to below (hereinafter collectively referred to as the "Group") made up to 31 December each year.

Where the Group holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalents governing body, the financial statements of that subsidiary are not consolidated because to do so would be misleading. Where the Group is in a position to exercise significant influence or joint control, such investments are dealt with as associates or jointly controlled entities as appropriate. Otherwise, they are accounted for in accordance with the Group's policy for investments in securities.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are stated at cost, as reduced by any decline in value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

# Notes to the Financial Statements

For the year ended 31 December 2000

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investment in jointly controlled entities**

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

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 interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of results of jointly controlled entities for the year is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

### **Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates or jointly controlled entities, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of an investment in a subsidiary, an associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

### **Club memberships**

Club memberships are stated at cost less impairment in value.

### **Revenue recognition**

Rental income from leasing of satellite transponders under operating leases is recognised on an accrual basis in accordance with the terms of the leases over the lease term.

Service income is recognised when services are provided.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

# Notes to the Financial Statements

For the year ended 31 December 2000

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation of communication satellite is provided on a straight line basis to write off the cost of the satellite over its estimated useful life or the warranty period provided to customers, where applicable. Depreciation of other property, plant and equipment is provided to write off the cost of the assets, using the straight line method, over their estimated useful lives.

Property, plant and equipment are depreciated at the following rates:

Leasehold land	Over the lease terms
Leasehold buildings	2%
Leasehold improvements	Over the lease terms
Furniture and equipment	20%
Motor vehicles	20%
Computer equipment	20%
Communication satellite equipment	6 <sup>2</sup> / <sub>3</sub> % – 20%
Communication satellites	6 <sup>1</sup> / <sub>4</sub> % – 20%

Construction in progress is stated at cost. Cost includes all development expenditure and other direct costs attributable to such project. Construction in progress is not depreciated until completion of construction. On completion of construction, the assets are transferred to other categories of property, plant and equipment.

# Notes to the Financial Statements

For the year ended 31 December 2000

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on an accrual basis in accordance with the terms in the leases over the lease term.

Rental expenses under operating leases are charged to income on a straight-line basis over the lease term.

### **Retirement benefits cost**

The Group formerly operated a defined contribution retirement benefits scheme for those employees who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees' basic salaries and were charged to the income statement as they became payable in accordance with the rules of the scheme. When an employee left the scheme prior to his/her interest in the employer's contributions vesting fully, the contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

In December 2000, the Group changed its retirement benefits scheme to Mandatory Provident Fund ("MPF"). According to the MPF legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is required to participate in MPF Scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions paid and payable by the Group to the schemes are charged to the income statement.

### **Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 3. TURNOVER

Turnover represents rental income received and receivable from leasing of satellite transponders and the service income received and receivable in respect of satellite control and leasing of satellite transponders.

	2000 HK\$'000	1999 HK\$'000
Transponder lease income	329,976	478,972
Service income	11,520	2,986
	<b>341,496</b>	<b>481,958</b>

### 4. OTHER REVENUE

	2000 HK\$'000	1999 HK\$'000
Other revenue includes the followings:		
Compensation income for early termination of lease agreements	440	34,106
Exchange gain	10,407	89
Gain arising from life lease of satellite transponders of APSTAR IIR	–	389,744
Gain on disposal of property, plant and equipment	498	–
Gain on disposal of partial interest in a jointly controlled entity	2,500	–
Interest income	106,502	11,530
Rental income in respect of land and buildings	298	446
Write-back of provision on regulatory matters previously recognised in the life lease of transponders of APSTAR IIR	45,788	–

## Notes to the Financial Statements

For the year ended 31 December 2000

### 5. PROFIT FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	330	420
Depreciation	216,808	300,548
Loss on disposal of property, plant and equipment	-	21
Operating lease rentals in respect of land and buildings	3,108	2,613
Provision for doubtful receivables	-	21,727
Staff cost (including directors' emoluments):		
Pension contributions	980	1,081
Less: Forfeited contributions	(267)	(198)
Net pension contributions*	713	883
Wages, salaries and bonus	32,101	31,014
	32,814	31,897

\* At 31 December 2000, there were no forfeited contributions available to the Group to reduce its contributions to the retirement benefits scheme in the future years (1999: Nil).

### 6. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	(15,338)	(31,750)

# Notes to the Financial Statements

For the year ended 31 December 2000

## 7. DIRECTORS' AND EMPLOYEES' REMUNERATION

	2000 HK\$'000	1999 HK\$'000
<b>Directors' Remuneration</b>		
Fees to independent non-executive directors	200	117
Fees to non-executive directors	510	550
Remuneration to executive directors:		
Fees	55	150
Salaries and other benefits	2,987	4,755
Retirement benefits contributions	78	128
	3,120	5,033
	3,830	5,700

Emoluments of the directors were within the following bands:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	18	16
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–

## Employees' Remuneration

The five highest paid individuals of the Group included one director (1999: two), details of whose remuneration are set out above. The emoluments of the remaining four (1999: three) highest paid employees are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Salaries and other benefits	7,405	6,802
Performance related incentive payments	1,860	–
Retirement benefits contributions	225	185
	9,490	6,987

## Notes to the Financial Statements

For the year ended 31 December 2000

### 7. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2000	1999
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	–
	<b>4</b>	<b>3</b>

### 8. TAXATION

	2000 HK\$'000	1999 HK\$'000
The (charge) credit comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year	(4,495)	(22,642)
Refund of Hong Kong Profits Tax in a prior year	–	1,649
Overseas tax calculated at rates prevailing in respective jurisdictions	(24,349)	(44,831)
	<b>(28,844)</b>	<b>(65,824)</b>
Deferred taxation (note 24)	(5,667)	(5,940)
	<b>(34,511)</b>	<b>(71,764)</b>

The deferred taxation charge for the year comprises:

	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	(3,300)	(1,600)
Certain leasing arrangements	(2,367)	(4,340)
	<b>(5,667)</b>	<b>(5,940)</b>

The deferred taxation charge relating to certain leasing arrangements of HK\$4,340,000 in 1999 was included as other operating expenses in the income statement in the prior year. The amount has been reclassified to taxation charge to better reflect the nature of the expense.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 9. NET PROFIT FOR THE YEAR

Of the net profit for the year of HK\$142,996,000 (1999: HK\$374,539,000), a profit of HK\$83,526,000 (1999: HK\$146,424,000) has been dealt with in the financial statements of the Company.

### 10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim dividend paid of 5 cents (1999: nil) per share	20,805	–
Proposed final dividend of 15 cents (1999: 35 cents) per share	61,920	147,000
	82,725	147,000

The proposed final dividend is based on 412,800,000 shares in issue as at the date of this report.

### 11. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the net profit for the year of HK\$142,996,000 (1999: HK\$374,539,000) and on the weighted average of 417,433,000 shares (1999: 420,000,000 shares) outstanding during the year.

No diluted earnings per share has been presented for both years as there is no dilutive potential shares.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 12. PROPERTY, PLANT AND EQUIPMENT

	Land buildings HK\$'000	Leasehold and improve- ments HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Commun- ication satellite equipment HK\$'000	Commun- ication satellites HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
<b>COST</b>									
At 1 January 2000	49,738	3,549	18,129	4,986	1,868	67,631	2,100,129	-	2,246,030
Additions	17,669	1,974	543	316	304	3,487	-	10,935	35,228
Disposals	(1,915)	-	(272)	(653)	(644)	-	-	-	(3,484)
<b>At 31 December 2000</b>	<b>65,492</b>	<b>5,523</b>	<b>18,400</b>	<b>4,649</b>	<b>1,528</b>	<b>71,118</b>	<b>2,100,129</b>	<b>10,935</b>	<b>2,277,774</b>
<b>DEPRECIATION</b>									
At 1 January 2000	3,914	2,699	17,290	4,354	1,282	32,279	899,136	-	960,954
Provided for the year	1,014	543	387	337	211	5,859	208,457	-	216,808
Disposals	(317)	-	(243)	(653)	(643)	-	-	-	(1,856)
<b>At 31 December 2000</b>	<b>4,611</b>	<b>3,242</b>	<b>17,434</b>	<b>4,038</b>	<b>850</b>	<b>38,138</b>	<b>1,107,593</b>	<b>-</b>	<b>1,175,906</b>
<b>NET BOOK VALUE</b>									
<b>At 31 December 2000</b>	<b>60,881</b>	<b>2,281</b>	<b>966</b>	<b>611</b>	<b>678</b>	<b>32,980</b>	<b>992,536</b>	<b>10,935</b>	<b>1,101,868</b>
At 31 December 1999	45,824	850	839	632	586	35,352	1,200,993	-	1,285,076

**Motor  
vehicle  
HK\$'000**

### THE COMPANY

#### COST

At 1 January 2000 and 31 December 2000	411
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#### DEPRECIATION

At 1 January 2000	137
Provided for the year	82

<b>At 31 December 2000</b>	<b>219</b>
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#### NET BOOK VALUE

<b>At 31 December 2000</b>	<b>192</b>
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At 31 December 1999	274
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## Notes to the Financial Statements

For the year ended 31 December 2000

### 12. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of the locations of land and buildings of the Group held as at 31 December 2000 is as follows:

	<b>Land and buildings</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Long leases outside Hong Kong	–	1,915
Medium term leases outside Hong Kong	<b>6,834</b>	6,834
Medium term leases in Hong Kong	<b>58,658</b>	40,989
	<b>65,492</b>	<b>49,738</b>

### 13. INTEREST IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	<b>615,862</b>	615,862
Amounts due from subsidiaries	<b>1,376,466</b>	1,296,513
	<b>1,992,328</b>	<b>1,912,375</b>

Details of the subsidiaries of the Company as at 31 December 2000 are set out in note 32.

### 14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	<b>THE GROUP</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	<b>1,899</b>	2,500
Due from the jointly controlled entity	<b>22</b>	22
Loans to the jointly controlled entity	<b>55,440</b>	3,100
	<b>57,361</b>	5,622
Less: Amount of loan due within one year included under current asset	<b>(46,500)</b>	–
	<b>10,861</b>	<b>5,622</b>

The Group has a 40% interest in the issued ordinary share capital of CTIA VSAT Network Limited ("CTIA"), a company incorporated in Hong Kong and is engaged in investment holding. Its subsidiary is engaged in providing telecommunication services. CTIA is considered as a jointly controlled entity due to the Group and the other shareholder, pursuant to a shareholders' resolution, has joint control over the board of directors.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 14. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The loans granted to the jointly controlled entity are unsecured. An outstanding loan balance of HK\$1,240,000 is interest-free for the first six months from the date of the advance and thereafter bears interest at 6% per annum and is repayable in 2005. Another loan amounting to HK\$6,200,000 is interest-free and is also repayable in 2005. Other loans amounting to HK\$1,500,000 and HK\$46,500,000 bear interest at 6% and 8.25% per annum, and are repayable in 2002 and 2001, respectively.

### 15. INTEREST IN A SUBSIDIARY NOT CONSOLIDATED

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Share of net deficit	(1,234)	–
Amount due from the subsidiary not consolidated	12,801	–
	11,567	–

The Group has a 55% interest in the issued ordinary share capital of APT Satellite Telecommunications Limited ("APT Telecom"), a company incorporated in Hong Kong which is engaged in the provision of telecommunication services.

APT Telecom is not consolidated as the Group's ability to appoint the majority of the board of directors is limited. The Group and the other shareholder of APT Telecom both have the right to appoint an equal number of directors to the board of directors. APT Telecom is accounted for in the Group's financial statements using the equity method of accounting. The Group's share of results of a subsidiary not consolidated for the year represented the Group's share of the subsidiary's net loss for the period amounted to HK\$1,234,000 (1999: Nil) and is included in the consolidated income statement.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 16. TRADE RECEIVABLES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Due from third parties	59,928	23,820
Due from related parties	–	38,486
	<b>59,928</b>	<b>62,306</b>

The Group allows an average credit period of 0 – 10 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Not yet due	1,707	871
Overdue 0 – 30 days	37,370	16,479
Overdue 31 – 60 days	6,327	2,196
Overdue 61 – 90 days	747	161
Overdue 91 – 120 days	9,534	10,098
Overdue 120 days	4,243	32,501
	<b>59,928</b>	<b>62,306</b>

## Notes to the Financial Statements

For the year ended 31 December 2000

### 17. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans	554,988	784,928	–	77,500
Less: Amount due within one year included under current liabilities	(175,320)	(230,710)	–	(77,500)
Amount due after one year	379,668	554,218	–	–
Bank borrowings are repayable:				
On demand or within one year	175,320	230,710	–	77,500
In the second year	61,986	174,550	–	–
In the third to fifth years, inclusive	317,682	379,668	–	–
	554,988	784,928	–	77,500
Secured	554,988	707,428	–	–
Unsecured	–	77,500	–	77,500
	554,988	784,928	–	77,500

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 2000, the bank loans borrowed by the Partnership of HK\$434,836,000 (1999: HK\$483,785,000) which are included above are secured by time deposits of an equivalent amount (see note 27). The amounts of bank loans and time deposits, which were netted off in the balance sheet in the previous year, have been separately presented in the balance sheet to better reflect the assets and liabilities position of the Group. Comparative figures have also been restated accordingly. The corresponding interest income and interest expense for the year amounted to HK\$56,734,000 (1999: HK\$61,975,000) has been set-off in the consolidated income statement.

### 18. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, interest-free and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 December 2000

## 19. SHARE CAPITAL

	Number of shares	Issued and fully paid share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Balance at 1 January 1999 and at 1 January 2000	420,000,000	42,000
Repurchase of shares	(7,200,000)	(720)
<b>Balance at 31 December 2000</b>	<b>412,800,000</b>	<b>41,280</b>

The Company's authorised share capital is 1,000,000,000 shares of HK\$0.10 each. There were no changes in the Company's authorised share capital during both years.

During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares	Price per share Highest	Lowest	Aggregate consideration paid HK\$'000
July	1,400,000	4.900	4.675	6,680
August	2,500,000	4.875	4.750	12,100
October	3,300,000	4.400	3.600	13,469
	<b>7,200,000</b>			<b>32,249</b>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against share premium.

## 20. SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 3 December 1996 (the "Scheme"), the Directors of the Company may, at any 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 or any 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% of 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 opinion under the Scheme is resolved by the Directors to be given.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 20. SHARE OPTIONS (continued)

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 beginning and end of the year.

Subsequent to the balance sheet date, the Company has proposed a resolution in the coming annual general meeting to adopt a new share option scheme.

### 21. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>				
At 1 January 1999	1,315,522	511,000	262,737	2,089,259
Profit for the year	–	–	374,539	374,539
Dividends	–	–	(147,000)	(147,000)
At 31 December 1999 and at 1 January 2000	1,315,522	511,000	490,276	2,316,798
Premium and cost on repurchase of shares	(31,529)	–	–	(31,529)
Profit for the year	–	–	142,996	142,996
Dividends	–	–	(82,725)	(82,725)
<b>At 31 December 2000</b>	<b>1,283,993</b>	<b>511,000</b>	<b>550,547</b>	<b>2,345,540</b>
<b>THE COMPANY</b>				
At 1 January 1999	1,315,522	584,358	849	1,900,729
Profit for the year	–	–	146,424	146,424
Dividends	–	–	(147,000)	(147,000)
At 31 December 1999 and at 1 January 2000	1,315,522	584,358	273	1,900,153
Premium and cost on repurchase of shares	(31,529)	–	–	(31,529)
Profit for the year	–	–	83,526	83,526
Dividends	–	–	(82,725)	(82,725)
<b>At 31 December 2000</b>	<b>1,283,993</b>	<b>584,358</b>	<b>1,074</b>	<b>1,869,425</b>

# Notes to the Financial Statements

For the year ended 31 December 2000

## 21. RESERVES (continued)

The contributed surplus of the Company arose as a result of the Group reorganisation in 1996 and represented the excess of the 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 shareholders 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 thereof.

At 31 December 2000, the Company's reserves available for distribution amounted to HK\$585,432,000 (1999: HK\$584,631,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

## 22. DEPOSITS RECEIVED

The amount represents deposits received from lessees for satellite transponders booked.

## 23. DEFERRED INCOME

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

## 24. DEFERRED TAXATION

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	117,859	111,919
Charge for the year (note 8)	5,667	5,940
Balance at end of the year	123,526	117,859

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

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	13,230	9,930
Certain leasing arrangements	110,296	107,929
	123,526	117,859

## Notes to the Financial Statements

For the year ended 31 December 2000

### 24. DEFERRED TAXATION (continued)

At the balance sheet date, the components of the cumulative balance of the net potential deferred tax asset not provided for in the financial statements are as follows:

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2000</b>	<b>1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	<b>22</b>	<b>31</b>
Unutilised tax losses carried forward	<b>(1,099)</b>	<b>(614)</b>
	<hr/>	<hr/>
	<b>(1,077)</b>	<b>(583)</b>
	<hr/>	<hr/>

Certain leasing arrangements provide the Group with an initial cash inflow in return for being responsible for the future obligations to make payments of taxation 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.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 25. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
Profit before tax	177,507	446,303
Share of results of a jointly controlled entity	101	–
Share of results of a subsidiary not consolidated	1,234	–
Interest income	(106,502)	(11,530)
Interest expense	15,338	31,750
Depreciation	216,808	300,548
Write-back of provision on regulatory matters previously recognised in the life lease of transponders of APSTAR IIR	(45,788)	–
Net book value of the transponders of APSTAR IIR	–	1,539,713
(Gain) loss on disposal of property, plant and equipment	(498)	21
Gain on disposal of partial interest in a jointly controlled entity	(2,500)	–
Decrease (increase) in trade receivables	2,378	(40,521)
Decrease (increase) in deposits, prepayments and other receivables	1,407,904	(1,415,902)
(Decrease) increase in other payables and accrued charges	(3,051)	102,527
Decrease in rentals received in advance	(1,159)	(31,283)
Decrease in amount due to a related company	(140)	(301)
Increase (decrease) in deposits received	779	(34,788)
Decrease in deferred income	(20,682)	(109,127)
Net cash inflow from operating activities	1,641,729	777,410

## Notes to the Financial Statements

For the year ended 31 December 2000

### 26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Bank loans HK\$'000	Other loans HK\$'000	Loans from shareholders HK\$'000
Balance at 1 January 1999	1,357,522	1,157,381	–	137,000
New borrowings raised during the year	–	38,750	10,352	–
Repayments during the year				
– loan portion	–	(411,203)	(10,352)	(120,125)
– interest portion	–	–	–	(10,580)
Accrued interest expense	–	–	–	3,968
Balance at 31 December 1999 and at 1 January 2000	1,357,522	784,928	–	10,263
Par value of shares repurchased	(720)	–	–	–
Premium and cost arising on repurchase	(31,529)	–	–	–
Repayments during the year				
– loan portion	–	(229,940)	–	(3,875)
– interest portion	–	–	–	(6,399)
Accrued interest expense	–	–	–	11
<b>Balance at 31 December 2000</b>	<b>1,325,273</b>	<b>554,988</b>	<b>–</b>	<b>–</b>

### 27. PLEDGE OF ASSETS

The Group has assigned, by way of legal charge in favour of the lenders of the bank loans, certain bank accounts and portion of the transponder receipts. The amount of cash from transponder receipts withheld by the banks as at 31 December 2000 was HK\$10,473,000 (1999: HK\$9,770,000).

In addition, certain of the Group's banking facilities are secured by the Group's land and buildings with a net book value of HK\$8,214,000 (1999: HK\$11,996,000) as at 31 December 2000. As at 31 December 1999, the Group had also pledged certain time deposits with a carrying value of HK\$1,807,000 to secure the banking facilities.

Furthermore, at 31 December 2000, the Group had outstanding bank loans of approximately HK\$434,836,000 (1999: HK\$483,785,000) arranged under certain lease arrangements which was secured by time deposits of an equivalent amount. Of this amount, HK\$55,168,000 is included as part of current pledged bank deposits.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 28. CONTINGENT LIABILITIES

In the years before 1999, 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 years from 1999 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 rules should take effect from 1999 and, accordingly, no provision for the withholding tax in respect of the years before 1999 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 those years, not provided for in the financial statements amounted to approximately HK\$65,198,000.

### 29. CAPITAL COMMITMENTS

At 31 December 2000, the Group had authorised but not contracted capital commitments of HK\$1,781,598,000 and contracted but not provided for capital commitments of HK\$1,560,000 in respect of the procurement and launch of a new satellite, APSTAR V.

At 31 December 1999, the Group had capital commitments in connection with the acquisition of property, plant and equipment contracted but not provided for in the financial statements amounted to HK\$2,095,000.

Also, the Group's share of the capital commitments of the subsidiary not consolidated and a jointly controlled entity not included in the above are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Authorised but not contracted		
– subsidiary not consolidated	6,274	–
– jointly controlled entity	–	–
	<b>6,274</b>	–
Contracted but not provided for in the financial statements		
– subsidiary not consolidated	19,961	–
– jointly controlled entity	1,196	138
	<b>21,157</b>	138
Total commitments	<b>27,431</b>	138

## Notes to the Financial Statements

For the year ended 31 December 2000

### 30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:		
– in the next year	80	80
– in the second to fifth year inclusive	3,181	1,891
	<b>3,261</b>	<b>1,971</b>

The Company did not have any operating lease commitment at the balance sheet date.

### 31. POST BALANCE SHEET EVENTS

Subsequent to balance sheet date, APT Satellite Company Limited ("APT"), a subsidiary of the Company, had entered into a procurement agreement with Space Systems/Loral Inc. for the commissioning of APSTAR V, a satellite based on a FS1300 model satellite with 38 C-band and 16 Ku-band transponders. In addition, APT entered into a launch agreement with China Great Wall Industry Corporation that will launch APSTAR V in the first quarter of 2003 at the Xichang Satellite Launch Centre in the People's Republic of China. The Directors estimate that the total cost of the project, including the contract price and the costs of the launch insurance, ground facilities for telemetry, tracking and control, related expenses and capitalized interest, will be approximately US\$230 million.

Furthermore, a lease agreement was entered into between APT and Singapore Telecommunications Limited for the lease of 15 C-band transponders of APSTAR V for the rest of its useful life for an aggregate present value of the lease price of approximately US\$112 million upon commercial operation.

## Notes to the Financial Statements

For the year ended 31 December 2000

### 32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2000 are as follows:

Name of Company	Place of incorporation/ operation *	Nominal value of issued share capital **	Proportion of nominal value of issued capital held by the Group	Principal activities
APT Satellite Investment Company Limited	British Virgin Islands	US\$1,400	100%	Investment holding
APT Satellite Company Limited	Hong Kong	Ordinary Class 'A' HK\$100 Non-voting Deferred Class 'B' HK\$542,500,000	100%	Satellite transponder leasing
Acme Star Investment Limited	Hong Kong	HK\$2	100%	Investment holding
APT Satellite Enterprise Limited	Cayman Islands	US\$2	100%	Satellite transponder leasing
APT Satellite Global Company Limited	Cayman Islands	US\$2	100%	Investment holding
APT Satellite Glory Limited	Hong Kong	HK\$2	100%	Provision of satellite television uplink and downlink services
APT Satellite Link Limited	Cayman Islands	US\$2	100%	Satellite transponder leasing
APT Satellite Vision Limited	Hong Kong	HK\$2	100%	Satellite leasing
Haslett Investments Limited	British Virgin Islands	US\$1	100%	Investment
Telewell Investment Limited	Hong Kong	HK\$2	100%	Investment holding
The 138 Leasing Partnership	Hong Kong	Partners' capital HK\$329,128,857	N/A	Satellite leasing
Ying Fai Realty (China) Limited	Hong Kong/ The People's Republic of China	HK\$20	100%	Property holding
APT Satellite Telecommunications Limited	Hong Kong	HK\$100	55% (see note 15)	Provision of telecommunication services

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

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

## Notes to the Financial Statements

For the year ended 31 December 2000

### 32. PARTICULARS OF SUBSIDIARIES (continued)

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

No loan capital has been issued by any of the subsidiaries.

### 33. RELATED PARTY TRANSACTIONS

	2000 HK\$'000	1999 HK\$'000
Income from leasing of transponders to certain shareholders of the Company ( <i>note i</i> )	6,558	81,851
Income from leasing of transponders to a company which is a fellow subsidiary of a shareholder of the Company ( <i>note i</i> )	–	9,203
Income from leasing of transponders to a holding company of a shareholder of the Company ( <i>note i</i> )	6,431	–
Income from leasing of transponders to a subsidiary of the Company not consolidated ( <i>note i</i> )	1,808	–
Management fee income from a subsidiary of the Company not consolidated ( <i>note ii</i> )	500	–
Compensation income from early termination of a transponder lease agreement with a company which is a fellow subsidiary of a shareholder of the Company	–	26,470
Interest income from a jointly controlled entity ( <i>note iii</i> )	277	–
Interest income from certain shareholders of the Company ( <i>note iv</i> )	6,099	–
Interest income from a subsidiary of a shareholder ( <i>note v</i> )	1,790	–
Rental expenses in connection with the leasing of transponders from a shareholder of the Company ( <i>note vi</i> )	819	–
Interest expenses on loans from shareholders of the Company ( <i>note vii</i> )	11	3,968
Payments in connection with the APSTAR V project to a shareholder of the Company ( <i>note viii</i> )		
– services fees	2,340	–
– deposit	7,800	–

In addition, at 31 December 2000, the Group had outstanding commitment to pay an additional services fee amounting to HK\$1,560,000.

# Notes to the Financial Statements

For the year ended 31 December 2000

## 33. 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.
- (ii) Management fee income arose from a reimbursement of cost of service provided to a subsidiary under the agreement.
- (iii) The interest income from a jointly controlled entity arose from loans made to the entity, further details of which are disclosed in note 14.
- (iv) The interest income arose from interest charged on overdue trade receivable under terms and conditions of transponder lease agreements which are similar to those contracted with other customers of the Group.
- (v) The interest income arose from a loan made to a subsidiary of a shareholder and is calculated at 8.25% per annum.
- (vi) Rental expenses in connection with the leasing of transponders is charged according to the terms and conditions similar to those offered to other customers.
- (vii) The interest expenses on loans from shareholders is calculated at six months LIBOR.
- (viii) The directors consider that the service fee was charged according to prices and conditions similar to those offered to other customers by the launch service provider.

## 34. SEGMENTAL INFORMATION

The Group only has one business segment, namely the maintenance and operation of satellite telecommunication systems.

The Group's turnover analysed by geographical market, is as follows:

	2000 HK\$'000	1999 HK\$'000
Hong Kong	20,347	30,632
Other regions in the People's Republic of China	264,247	277,981
United States of America	22,768	68,963
Taiwan	12,688	37,987
Others	21,446	66,395
	<b>341,496</b>	<b>481,958</b>

Contribution to profit from operation by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

# Five Years Financial Summary

## RESULTS

	Year ended 31 December				
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	367,628	522,467	587,805	481,958	<b>341,496</b>
Cost of services	(174,951)	(280,200)	(388,876)	(355,526)	<b>(261,518)</b>
	192,677	242,267	198,929	126,432	<b>79,978</b>
Other revenue	23,257	26,021	14,605	436,016	<b>179,742</b>
Administrative expenses	(56,609)	(75,746)	(84,620)	(84,395)	<b>(65,540)</b>
Other operating expenses	–	(835)	(388)	–	<b>–</b>
Profit from operations	159,325	191,707	128,526	478,053	<b>194,180</b>
Finance costs	(52,690)	(40,150)	(57,282)	(31,750)	<b>(15,338)</b>
Share of results of a jointly controlled entity	–	–	–	–	<b>(101)</b>
Share of results of a subsidiary not consolidated	–	–	–	–	<b>(1,234)</b>
Profit before tax	106,635	151,557	71,244	446,303	<b>177,507</b>
Taxation	(30,115)	(21,976)	(12,027)	(71,764)	<b>(34,511)</b>
Net profit for the year	76,520	129,581	59,217	374,539	<b>142,996</b>

## ASSETS AND LIABILITIES

	As at 31 December				
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Total asset	4,064,489	4,141,497	3,923,930	3,792,751	<b>3,421,151</b>
Total liabilities	(2,122,028)	(2,069,455)	(1,792,671)	(1,433,953)	<b>(1,034,331)</b>
Net assets	1,942,461	2,072,042	2,131,259	2,358,798	<b>2,386,820</b>

# 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. The Group recognises revenue on an accrual basis under the contract terms. Under US GAAP, revenue in the consolidated financial statements prepared under HKGAAP under these agreements is recognised on a straight-line basis over the terms of the agreements.

(b) 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 income statement. Under US GAAP, such investment properties would be stated at cost and depreciated over the lease terms.

(c) 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.

(d) Proposed final dividend

Under HK GAAP, a dividend proposed after the end of the accounting period in respect of that accounting period is deducted in arriving at accumulated profits at the end of the period. US GAAP does not recognise a proposed dividend as a reduction of accumulated profits if declared after the year end.

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

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

	2000 HK\$'000	1999 HK\$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	142,996	374,539
Adjustments:		
Recognition of revenue	(3,635)	(17,138)
Investment properties	–	(49)
Tax effect of reconciling items	582	2,881
Approximate net income as reported under US GAAP	139,943	360,233
Earnings per share under US GAAP	33.52 cents	85.77 cents

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

	2000 HK\$'000	1999 HK\$'000
Shareholders' equity as reported under HK GAAP	2,386,820	2,358,798
Adjustments:		
Recognition of revenue	5,173	8,808
Investment properties	447	447
Tax effect of reconciling items	(827)	(1,409)
Final dividend declared subsequent to the balance sheet date	61,920	147,000
Shareholders' equity as reported under US GAAP	2,453,533	2,513,644