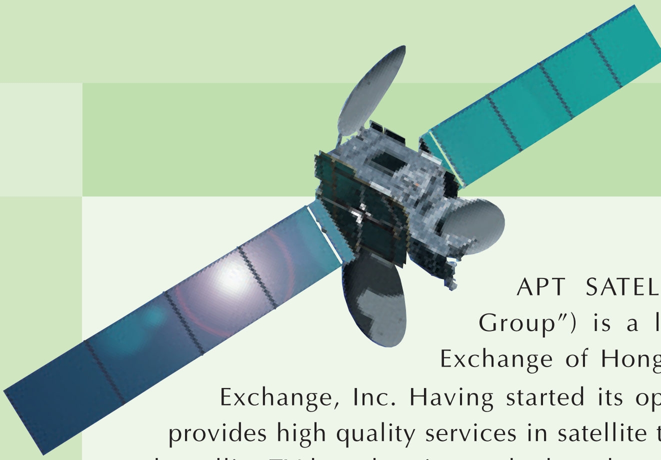
APT Satellite Holdings Limited

(Incorporated in Bermuda with limited liability)

We invest into the future !

annual report 2002



COMPANY PROFILE

APT SATELLITE HOLDINGS LIMITED ("APT Group") is a listed company on both The Stock Exchange of Hong Kong Limited and New York Stock Exchange, Inc. Having started its operation in 1992, APT Group mainly provides high quality services in satellite transponders, satellite communication and satellite TV broadcasting to the broadcasting and telecommunication sectors in Asia, Europe and the United States, and achieves remarkable results. APT Group currently operates three in-orbit geostationary satellites namely APSTAR I, APSTAR IA and APSTAR IIR, through its own satellite control centre in Tai Po, Hong Kong. Besides, APT Group has procured two high power satellites, APSTAR V and APSTAR VI, which will be launched in September 2003 and 2005 respectively as replacement satellites of APSTAR I and APSTAR IA respectively. APT Group has just completed its satellite TV broadcasting platform in order to provide one-stop satellite TV broadcasting services and to improve its competitive advantages. In addition, APT Group will leverage the advantages stemming from strategic alliances and partnerships to prepare for further growth over the coming years.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-VI	Alcatel SB-4100 C1	134°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	12	China (including Hong Kong, Macau and Taiwan)
APSTAR-V	SS/L FS-1300	138°E	38	China, India, Southeast Asia, Australia, Hawaii, Guam, South Pacific Islands	8 8	China (including Hong Kong, Macau and Taiwan) China and India
APSTAR-IIR	SS/L FS-1300	76.5°E	28	Europe, Asia, Africa, Australia, about 75% of World's population	16	China (including Hong Kong, Macau and Taiwan) and Korea
APSTAR-IA	Boeing BSS-376	134°E	24	China, Japan, Southeast Asia, and India	–	–
APSTAR-I	Boeing BSS-376	138°E	24	China, Japan, Southeast Asia	–	–

CONTENTS

DIRECTORS

Executive directors

Chen Zhaobin *(President)*
He Dongfeng *(Vice President)*
(appointed on 5 July 2002)
Cui Xinzheng *(Vice President)*

Non-executive directors

Liu Ji Yuan *(Chairman)*
Zhou Ze He *(Vice Chairman)*
Wong Hung Khim
Lim Toon
Hsu Chih Chang
Wu Zhen Mu
Wu Jinfeng
Lim Shyong
Tay Chek Khoon
Wu Hongju
(appointed on 15 November 2002)
Yin Yen-liang
(appointed on 16 January 2003)
Lim Bee Ling
(alternate director to Tay Chek Khoon)
Chen Chi-chuan
(appointed as alternate director to Yin Yen-liang on 16 January 2003)
He Ke Rang *(Vice Chairman)*
(resigned on 5 July 2002)
Lu Xiaochun
(resigned on 29 October 2002)
Yang Tze-kaing
(resigned on 16 January 2003)
Loh Yim Kew
(resigned as alternate director to Lim Shyong on 31 January 2003)

Independent non-executive directors

Yuen Pak Yiu, Philip
Huan Guocang
(appointed on 27 August 2002)
Li Kwok Wing, Meocre
(resigned on 27 August 2002)

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Chen Zhaobin
Lo Kin Hang, Brian

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Richards Butler
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
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

ADR DEPOSITARY

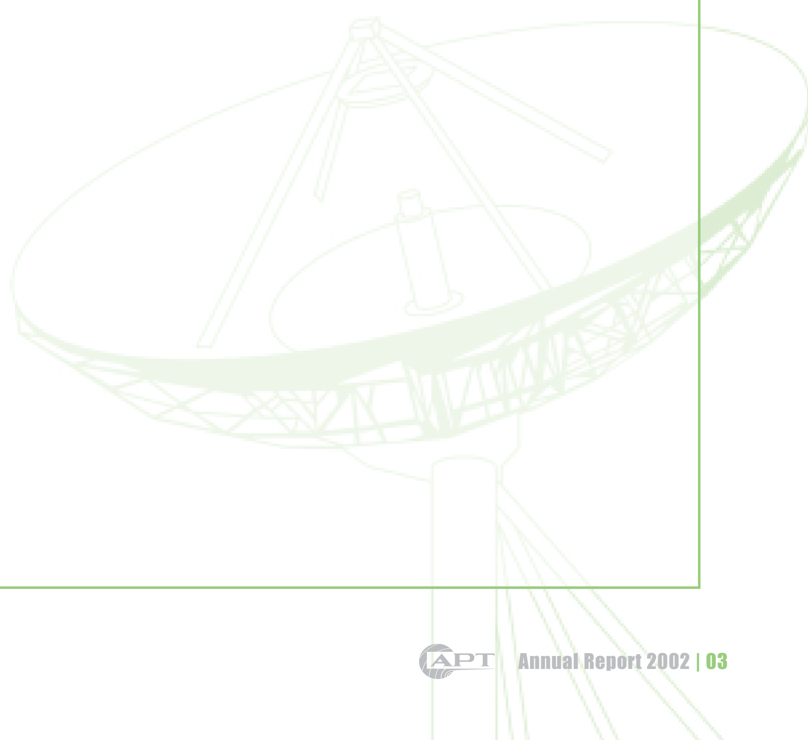
The Bank of New York
Depositary Receipt Division
101 Barclay Street 22 W
New York NY 10286
USA

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

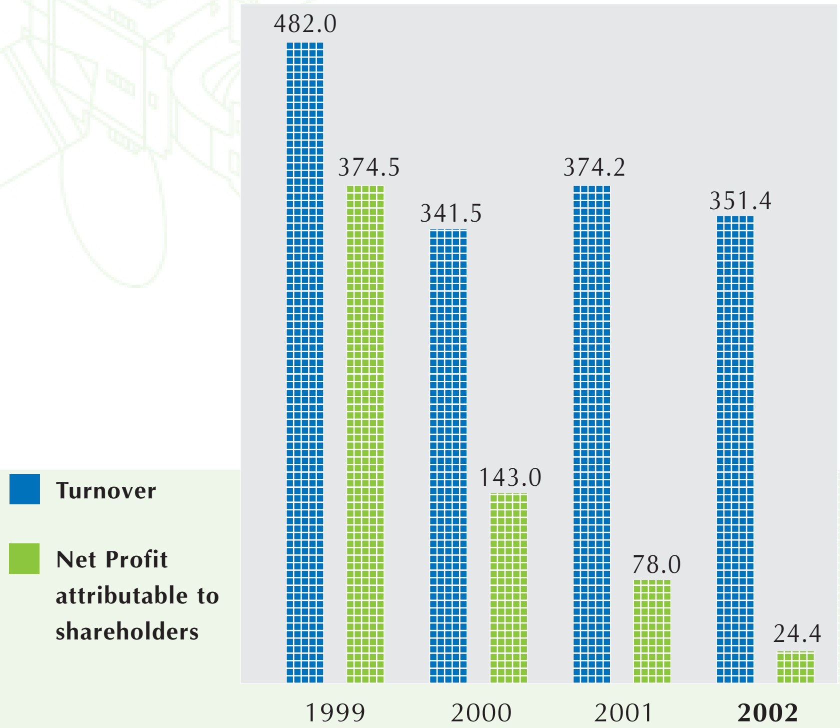
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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
e-mail: aptmk@apstar.com (Marketing)
aptir@apstar.com (Investors Relation)



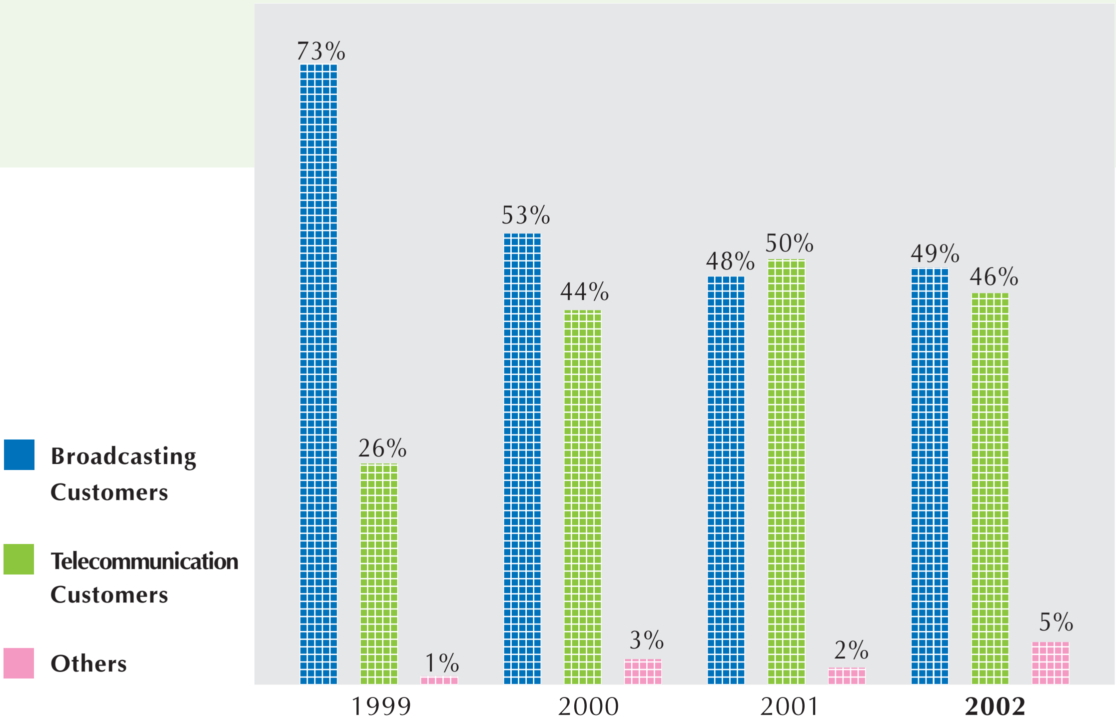
TURNOVER & NET PROFIT

(HK$ Million)



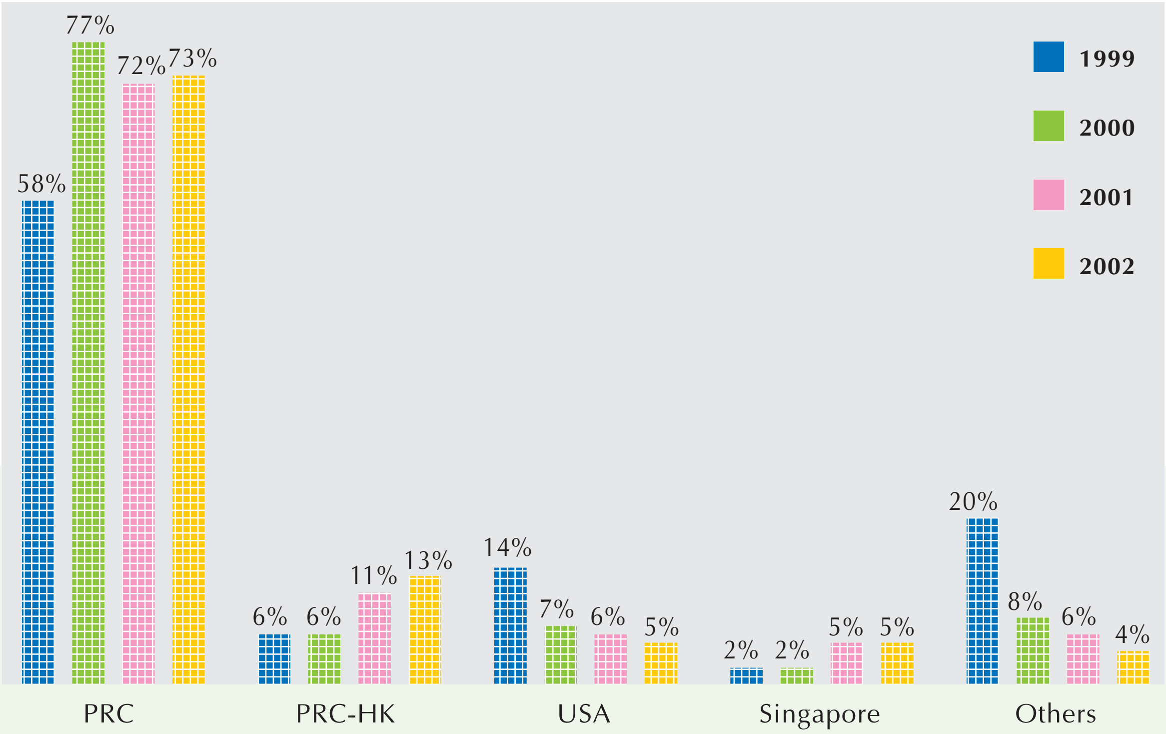
TURNOVER BREAKDOWN BY BUSINESS

(Percentage)



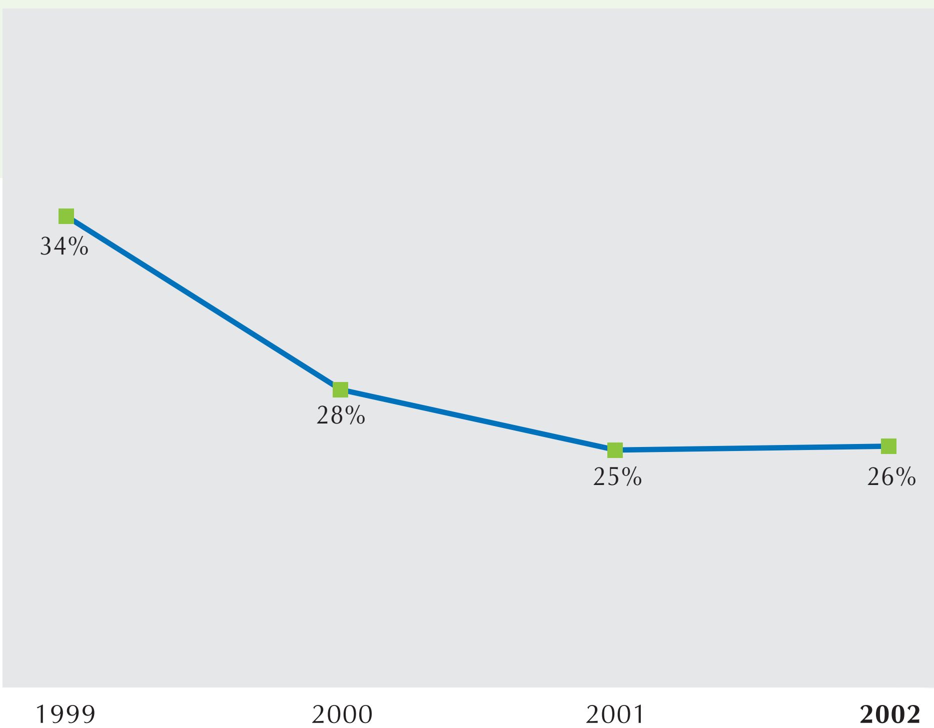
TURNOVER BREAKDOWN BY REGION

(Percentage)



TOTAL LIABILITIES TO TOTAL ASSETS RATIO

(Percentage)



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 2002, which had been prepared in accordance with the accounting principles generally accepted in Hong Kong.

RESULTS

For the financial year ended 31 December 2002, the Group's turnover and net profit attributable to shareholders were HK$351,425,000 (2001: HK$374,158,000) and HK$24,435,000 (2001: HK$78,009,000) respectively. Basic earnings per share was HK5.92 cents (2001: HK18.90 cents).

DIVIDENDS

In view of future business development needs, the Board does not recommend any payment of final dividend for the financial year ended 31 December 2002 (2001: HK5 cents).

Mr. Liu Ji Yuan
Chairman

BUSINESS REVIEW

The Group's three in-orbit satellites, together with their corresponding telemetry, tracking and control systems, have been operating well. For the year ended 31 December 2002, the utilization rate of APSTAR I, APSTAR IA and APSTAR IIR was 56%, 66% and 100% respectively, which was basically identical to the utilization rate corresponding to the first six month of 2002.

BUSINESS ENVIRONMENT

Sluggish worldwide economy during the second half of the 2002 continued to weaken the demand for transponders in the Asia-Pacific region. Intense market competition continued to exert a downward pressure on the lease rate of transponders.

APSTAR V

Upon commissioning in January 2001, Space System/Loral Inc. ("SS/L") has since carried out the full-scale construction of APSTAR V that has 54 transponders. At present, satellite construction has entered the final stage. The Group will continue to monitor the progress of construction, which has remained smooth to this date. The satellite is scheduled for delivery in July 2003, and will be launched by Sea Launch Limited Partnership in September 2003.

Mr. Chen Zhaobin
Executive Director and President

On 23 September 2002, APT Satellite Company Limited ("APT"), a wholly-owned subsidiary of the Company, entered into the Term-sheet (the "Term-sheet") with Loral Orion Inc. ("Loral Orion"), a wholly owned subsidiary of Loral Space and Communications Limited. Under the Term-sheet, Loral Orion agreed to participate in the development through taking up 50% of the investment of APSTAR V project on an equal proportion basis in order to obtain 27 transponders at the amount of approximately US$115 million. Details of the deal had been set out in the circular of 7 October 2002 to shareholders. The Group believes that the cooperation will greatly reduce project investment and market risk of the APSTAR V project. At the same time, this will relieve the pressure on the Group's cashflow.

APSTAR VI (Formerly APSTAR VB)

On 11 December 2001, the Group commissioned the construction of APSTAR VI with a view to replace APSTAR IA that is due to expire at the end of 2006. This is a high power satellite constructed by Alcatel Space and equipped with 38 C-band and 12 Ku-band transponders. In March 2002, Alcatel Space informed APT that they had received unconditional approval from the French government for the delivery APSTAR VI to the PRC for launching on board the LM-3B launch vehicle. The construction of the satellite has been smooth, and it is scheduled for delivery in the fourth quarter of 2004.

The procurements of APSTAR V and APSTAR VI are fully in line with the future development needs of the Group's satellite broadcasting and telecommunications businesses.

From left: Mr. Brian Lo, Vice President and Company Secretary; Mr. Victor Kwok, Vice President; Mr. Cui Xinzheng, Executive Director and Vice President; Mr. Chen Zhaobin, Executive Director and President; Mr. He Dongfeng, Executive Director and Vice President; Mr. Wu Shou Kang, Chief Engineer.

Satellite TV Broadcasting Platform

APT Satellite TV Development Limited ("APT TV"), the Company's wholly-owned subsidiary, is in the course of establishing a satellite TV broadcasting platform based on the TV broadcasting license granted by The Government of HKSAR. The satellite TV broadcasting platform has been developing well. During the first half of 2002, the Group increased investments in uplinks and downlinks, and TV-programme transmission and broadcasting facilities. As a result, the APT TV's programme-transmission capacity was increased to 18 channels to accommodate the future demand for satellite TV program services, enhancing the capacity of the APT TV's satellite TV broadcasting platform and develop the Group's satellite broadcasting business.

Furthermore, in April 2002, APT TV established an associate company with Eurosport, Societe Anonyme ("Eurosport"). Based on their respective strength, APT TV and Eurosport have provided the China market with satellite TV broadcasting services, and the first sports news channel commenced broadcasting in July 2002. In December 2002, the associate company signed an agreement with China International TV Corporation and obtained the permit for limited broadcasting in China. This project is in line with the Group's overall strategy to further develop its satellite TV platform, and will bring forth revenue to the Group.

Satellite Control Centre Phase II (the "Centre")

To prepare for the control and operation of APSTAR V and APSTAR VI, and at the same time provide satellite TV broadcasting and telecommunications services, Satellite Control Centre Phase II was completed in February 2002, and had immediately commenced commercial operation. The Centre is equipped with a data center of 14,700 sq.ft., which

To prepare for the control and operation of APSTAR V and APSTAR VI, and to provide satellite broadcasting and telecommunications services, the building of the Satellite Control Centre Phase II was completed in February 2002. The Centre is built with a data centre of 14,700 sq.ft., which has also started commercial operation. In addition, APT is in the process of setting up the Telemetry, Tracking and Control System for APSTAR V in the Satellite Control Centre Phase II.

has also started commercial operation and generating revenue. In addition, the Group had completed the installation of satellite broadcasting facilities in the Centre for the development of the satellite TV broadcasting platform.

External Telecommunications Services

APT Satellite Telecommunications Limited ("APT Telecom"), a jointly controlled entity of the Group is actively rolling out external telecommunication services under the cable-based and satellite-based external telecommunications network services license. APT Telecom is now in full gear in the construction of an integrated telepark (the "Telepark") adjacent to the Group's Satellite Control Centre. The construction of the Telepark is expected to complete in mid-2003 for the provision of various kinds of telecommunications services.

BUSINESS PROSPECTS

The worldwide economy is expected to remain uncertain in 2003. It is therefore foreseeable that the development of broadcasting and telecommunications businesses in the Asia-Pacific region will remain sluggish. As competition will remain intense, the utilisation rate and rental income will continue to be compressed.

The management of the Group has continued to re-formulate its strategy for future development. The Group will do its best to maintain its present business performance and to seek opportunities for business growth. Furthermore, the Group will remain watchful for changes in the external environment so as to adjust its corporate strategies whenever necessary, with a view to maintaining business growth and boosting its corporate value.

Development of APSTAR V and APSTAR VI

The Group will closely monitor the construction and delivery of the two satellites to ensure that APSTAR I and APSTAR IA will be safely replaced. At the same time, close contact will be maintained with the launching company and insurance company to ensure that adequate preparation be made for the launching and insurance of APSTAR V.

Business Development

Facing intense market competition, the Group will further consolidate its core business in satellite transponders and strive to develop new satellite-related businesses. Through the development of the satellite broadcasting platform and its newly established telecommunications business, the Group will strengthen its customer base and expand its market coverage to boost revenue.

CONCLUSION

It will be difficult for the economic environment to improve significantly in the coming year owing to uncertain elements affecting the external environment. Market competition will remain intense. Under such unfavourable conditions, the Group will do its best to maintain its present performance in business and seek out opportunities for stable development. Under the new corporate strategy, the Group will consolidate and develop its transponder business on one hand, while at the same time develop new satellite broadcasting and telecommunications businesses on the other, with a view to maintain business growth and boost its corporate value. The Group will continue to maintain a prudent treasury policy and remain watchful for changes in the external environment in order to adjust the corporate policy whenever necessary.

The newly installed satellite TV broadcasting facilities in the Satellite Control Centre Phase II has started to provide satellite TV uplink and broadcasting services via its satellite TV broadcasting platform. It can operate up to 18 satellite TV channels.

NOTE OF APPRECIATION

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

LIU Ji Yuan
Chairman

Guilin, China, 7 April 2003

BUSINESS REVIEW

Details of the business review are contained in the chairman's statement on page 6.

BUSINESS ENVIRONMENT

Details of the business environment are contained in the chairman's statement on page 7.

BUSINESS PROSPECTS

Details of the business prospects are contained in the chairman's statement on page 10.

FINANCIAL REVIEW

The Group continues to maintain a prudent treasury policy with an aim to ensure a sound financial position for accommodating the needs of committed satellite projects.

The Group had ample working capital at its disposal. As at 31 December 2002, the Group had approximately HK$826 million (2001: HK$1,620 million) free cash. Together with the secured term loan facilities (the "Loan Facilities") committed in December 2002 by the Group with two banks that amounted to HK$1,872 million (US$240 million), the Group could cope with the needs to invest in future satellite and telecommunications projects for further business development.

Within the year, the Group's capital expenditure incurred by APSTAR V and APSTAR VI amounted to HK$1,033 million (2001: HK$230 million) that was paid by internally generated cash flow and bank loans.

As at 31 December 2002, the Group's total liabilities was approximately HK$864 million (2001: HK$816 million), among which about HK$318 million (2001: HK$380 million) was interest-bearing at a fixed rate of 12% per annum, which was secured by a time deposit of an equivalent sum and deposit interest rate. The Group had used part of the Loan Facilities that amounted to HK$164 million (2001: Nil). Interest was computed on the London inter-bank offered rate. The Loan Facilities were secured by the assignment of the construction, launching and related equipment contracts relating to satellites under construction and their related insurance claims proceeds, assignment of all present and future lease agreements of their transponders of satellites under construction, first fixed charge over certain bank accounts which will hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. Certain of the Group's banking facilities were secured by the Group's properties with aggregate net book value of approximately HK$5.12 million. As part of the Loan Facilities had been used, the Group's gearing ratio (total liabilities/total assets) rose to 26% (2001: 25%), representing an increased of 1% as compared to 2001.

For the year ended 31 December 2002, the Group made no hedging arrangement in respect of exchange rate fluctuation as majority of its business transactions was settled in United States dollars. However, as the Loan Facilities presently available to the Group was subject to floating interest rates, the Group would take appropriate measure in due course to hedge against interest rate fluctuation.

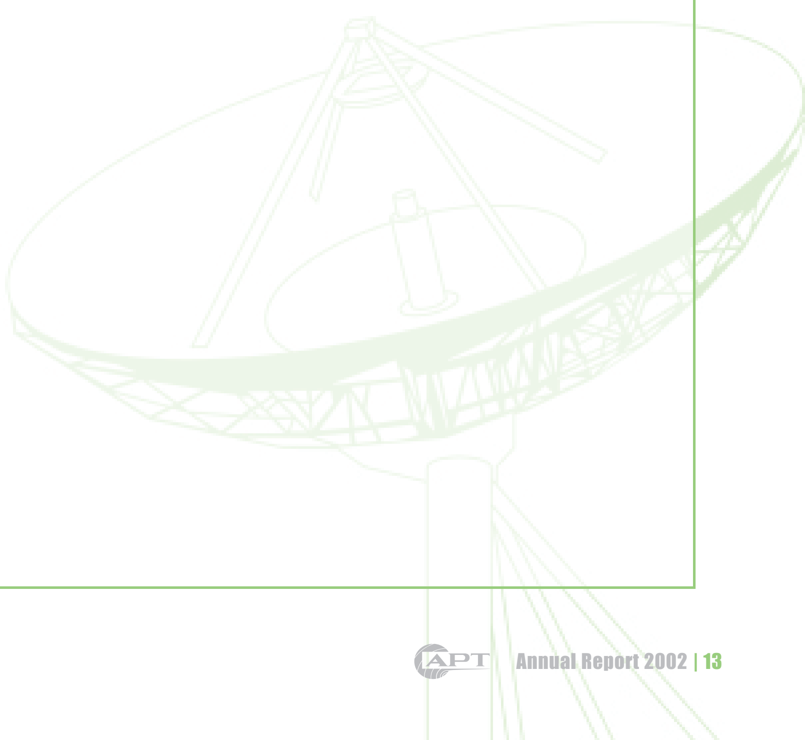
APT Telecom is striving to develop the external telecommunications business. As at 31 December 2002, the Group's share of loss of jointly controlled entities was HK$10.62 million (2001: HK$5.07 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2002, the Company had a guarantee of HK$164 million to its subsidiary for its Loan Facilities (2001: Nil).

HUMAN RESOURCES

With regard to the human resources policy, the Group remunerates its employees in accordance with their respective responsibilities and current market trends. On 19 June 2001, the Company first granted share options under the share option scheme adopted at the annual general meeting on 22 May 2001 ("Scheme 2001") to its employees including executive directors. On 22 May 2002, the Group adopted a new option scheme ("Scheme 2002") at the annual general meeting to comply with the requirements of the Listing Rules. Share options granted in accordance with Scheme 2001 shall however remain valid until its expiry.



EXECUTIVE DIRECTORS

Mr. CHEN Zhaobin, aged 47, 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 ("MII")). Mr. Chen has many years' of experience in post and telecommunication fields and in corporate management.

Mr. HE Dongfeng, aged 37, was appointed as Executive Director and Vice President of the Company in July 2002. He graduated with double Bachelor Degrees in Engineering from Jilin University of Technology. He then graduated with a Master Degree in Engineering from Beijing Institute of Technology. He is now studying in Beijing Normal University for Phd degree in Economics. He has served for the China Aerospace Corporation (presently known as China Aerospace Science & Technology Corporation) since 1989. He was appointed as Deputy Section Head, Section Head, Branch Factory Head, Deputy General Manager & General Manager of Capital Aerospace Machinery Corporation. In January 2002, he was appointed as the Vice President of China Academy of Launch Vehicle Technology.

Mr. CUI Xinzheng, aged 49, 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.

NON-EXECUTIVE DIRECTORS

Mr. LIU Ji Yuan, aged 69, 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. ZHOU Ze He, aged 61, 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 64, 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 60, 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) in1991 by the Singapore government. He is presently a Director of a number of overseas companies.

Mr. HSU Chih Chang, aged 44, 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 57, 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. WU Jinfeng, aged 42, 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.

Mr. LIM Shyong, aged 52, 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 52, 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. WU Hongju, aged 41, was appointed as Director of the Company in November 2002. After graduation with the major in radio technology from Beijing Polytechnic University in 1984, he started his career in R&D in No. 502 Research Institute of the then Ministry of Aerospace Industry of China. From 1991 onward, he held such posts as Office Assistant of the Aerospace Foreign Trade Coordination Team of the former Ministry of Aviation & Aerospace of China, Assistant of General Planning & Development Bureau of the former China Aerospace Corporation, Vice President of China APMT Company, Vice President of Singapore APMT Company, Division Director of Investment Management Division of Business Investment Bureau of China Aerospace Science & Technology Corporation, and Vice President of Beijing Aerospace Satellite Application Company. He has acquired abundant experience in business trading, capital management and radio technology through his career.

Mr. YIN Yen-liang, aged 52, was appointed as a Director of the Company in January 2003. Mr. Yin graduated with an MBA Degree from National Taiwan University in 1983 and received the PhD Degree in Business Administration from National Chengchi University in 1987. He has been President of the Ruentex Group since 1994 and concurrently holding the position of Executive Director of SinoPac Holdings Co., Ltd., Executive Director of Bank SinoPac, Director of Acer Incorporate, Chairman of Aetna SinoPac Credit Card Company Limited.

Ms. LIM Bee Ling, aged 38, 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. CHEN Chi-chuan, aged 45, was appointed as an Alternate Director to Mr. Yin Yen-liang, the director of the Company, in January 2003. Mr. Chen graduated with an MBA Degree from National Taiwan University in 1982. Having been in the securities investment sector for a long time, he had been Deputy Director of Yong Foong Yu Paper Manufacturing Co., Ltd. and Deputy General Manager of Kwang Hua Securities Investment & Trust Co., Ltd. At present, Mr. Chen is the Managing Director of China Development Financial Holdings Corporation and China Development Industrial Bank.

Mr. HE Ke Rang, aged 67, 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. He resigned as a Director of the Company with effect from 5 July 2002.

Mr. LU Xiaochun, aged 42, 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. He resigned as a Director of the Company with effect from 29 October 2002.

Mr. YANG Tze-kaing, aged 49, 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. He resigned as a Director of the Company with effect from 16 January 2003.

Ms. LOH Yim Kew, aged 50, 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. She resigned as an Alternate Director of the Company to Mr. Lim Shyong with effect from 31 January 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YUEN Pak Yiu, Philip, aged 67, 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.

Mr. HUAN Guocang, aged 53, was appointed as an Independent Non-executive Director of the Company in August 2002. He is the Head of Investment Banking, Asia Pacific of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Before joining HSBC, he was Managing Director and Co-Head of Investment Banking, Asia Pacific of Salomon Smith Barney. Dr. Huang has more than 15 years of investment banking experience and has held senior positions at the Brookings Institution, the Atlantic Council of the U.S., J.P. Morgan & Co., BZW Asia Limited, and Columbia University. Dr. Huan holds a Ph.D. degree in International Political Economy from Princeton University, Master of Arts in International Relations from Columbia University and Master of Arts in International Economics from the University of Denver.

Mr. LI Kwok Wing, Meocre, aged 48, was appointed as an Independent Non-executive Director of the Company in October 1996. He is the Chief Executive and founder of Alpha Alliance Finance Holdings Limited. Prior to that he was the Chief Executive of ICEA Finance Holdings Limited (formerly NatWest Securities Asia Ltd). Before joining ICEA/ NatWest, he 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, Untied Kingdom. He resigned as an Independent Non-executive Director of the Company with effect from 27 August 2002.

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. KWOK Kah Wai, Victor, aged 47, joined the Company on 17 March 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.

Mr. LO Kin Hang, Brian, aged 46, has been the Vice President of the Group since April 2002 and Company Secretary (since October 1996) of the Company. Prior to that he was the Assistant to the President (since December 1997). Mr. Lo joined the Company in September 1996. He graduated with an Associateship in Production and Industrial Engineering and an M.Sc. Degree in Information Technology from Hong Kong Polytechnic University, and a MBA Degree from the University of Wales, UK. He has attained several professional qualifications including Chartered Engineer, Member of the Institute of Electrical Engineers and is a Fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom and a Fellow of the Hong Kong Institute of Company Secretaries. Prior to joining the Group, he was a Director and senior management executive responsible for financial and investment management and the company secretary of a publicly listed company in Hong Kong. Mr. Lo has over 15 years' experience in corporate and project management, including telecommunication projects.

Mr. WU Shou Kang, aged 63, 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.

Mr. LENG Yi Shun, aged 65, has been the 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. He resigned as the Vice President of the Group with effect from 7 January 2003.

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 2002.

PRINCIPAL ACTIVITIES

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

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2002 are set out in the consolidated income statement on page 33 and the accompanying notes to the financial statements.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

FIVE YEARS 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 74.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company for the year ended 31 December 2002 are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2002 are set out in note 34 to the financial statements.

JOINTLY CONTROLLED ENTITY/ASSOCIATE

Details of the Company's interest in jointly controlled entities and associate are set out in notes 17 and 18 to the financial statements respectively.

SHARE CAPITAL

During the year, the Company repurchased a total of 185,000 of its own shares on The Stock Exchange of Hong Kong Limited. Details of movement of the share capital are set out in note 22 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 the statement of changes in equity on page 37.

BORROWINGS

Details of the Group's bank borrowings are set out in note 21 to the financial statements. Interest of approximately HK$117,000 was capitalised by the Group during the year.

DIRECTORS

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

Executive directors

Chen Zhaobin *(President)*	
He Dongfeng *(Vice President)*	*(appointed on 5 July 2002)*
Cui Xinzheng *(Vice President)*	

Non-executive directors

Liu Ji Yuan *(Chairman)*	
Zhou Ze He *(Vice Chairman)*	
Wong Hung Khim	
Lim Toon	
Hsu Chih Chang	
Wu Zhen Mu	
Wu Jinfeng	
Lim Shyong	
Tay Chek Khoon	
Wu Hongju	*(appointed on 15 November 2002)*
Yin Yen-liang	*(appointed on 16 January 2003)*
Lim Bee Ling	*(alternate director to Tay Chek Khoon)*
Chen Chi-chuan	*(appointed as alternate director to Yin Yen-liang on 16 January 2003)*
He Ke Rang *(Vice Chairman)*	*(resigned on 5 July 2002)*
Lu Xiaochun	*(resigned on 29 October 2002)*
Yang Tze-kaing	*(resigned on 16 January 2003)*
Loh Yim Kew	*(resigned as alternate director to Lim Shyong on 31 January 2003)*

Independent non-executive directors

Yuen Pak Yiu, Philip	
Huan Guocang	*(appointed on 27 August 2002)*
Li Kwok Wing, Meocre	*(resigned on 27 August 2002)*

In accordance with Article 86(2) and Article 87 of the Company's bye-laws, Messrs. Chen Zhaobin, He Dongfeng, Cui Xinzheng, Lim Toon, Wu Jinfeng, Wu Hongju, Yin Yen-liang and Huan Guocang will retire by rotation 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 Xinzheng 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.

Mr. He Dongfeng has entered into service contract with the Company for an initial term of three years, commencing 13 August 2002 and continuing thereafter until terminated by either party giving to the other not less than six months' notice.

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 2002, Mr. Leng Yi Shun, Vice President of the Group, and Mr. Lo Kin Hang, Brian, Vice President and Company Secretary of the Group, had personal interests in 500 and 27,000 shares of the Company respectively.

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

SHARE OPTION SCHEMES

Owing to the enforcement of the new requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in September 2001, the Company adopted a new share option scheme (the "Scheme 2002") at its annual general meeting on 22 May 2002, whereupon the Board of Directors of the Company shall only grant new options under the Scheme 2002.

During the year, no options were granted under the Scheme 2002, which will expire on 21 May 2012.

On 19 June 2001, the Company had granted options to its employees under a previous share option scheme (the "Scheme 2001"), which was adopted at the annual general meeting on 22 May 2001, details of which are set out below. Since then, no further options were granted under the Scheme 2001 and, all the options granted under the Scheme 2001 shall however remain valid until their expiry.

With the adoption of the Scheme 2002, the Company can provide incentives or rewards to its employees including non-executive directors and independent non-executive directors for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares available for issue under the existing share option schemes (Scheme 2001 and Scheme 2002) is upon exercise of all share options granted and yet to be exercised, 14,650,000 which represents 3.55% of the issued shares of the Company and not exceeding 10% of the shares of the Company in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at the date of report, the shares of the Company in issue was 412,535,000 shares.

Save for a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates according to the Listing Rules, the total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme 2002 and any other share option schemes of the Company (including outstanding options) to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to any participant in excess of the 1% limit must be subject to shareholders' approval in general meeting of the Company.

The exercise price (subscription price) will be determined by the Board of Directors in its absolute discretion but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares of the Company.

The particulars of the outstanding share options granted under Scheme 2001 are as follows:

	Options granted on 19 June 2001 and remain outstanding as at 1 January 2002	Options cancelled during the year	Options outstanding as at 31 December 2002
Name of director and chief executive			
Chen Zhaobin *(Executive Director and President)*	2,200,000	–	2,200,000
Cui Xinzheng *(Executive Director and Vice President)*	1,200,000	–	1,200,000
Leng Yi Shun (Vice President)	1,500,000	–	1,500,000
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	800,000	–	800,000
	5,700,000	–	5,700,000
Employees in aggregate:			
Employees under employment contracts	13,450,000	40,000	13,410,000

The above granted options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011, whilst there is no minimum period nor any amount payable on application required before exercising the options. The closing price of the shares immediately before the date on which these options were granted was HK$3.85.

No charge is recognised in the income statement in respect of the value of options granted.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 2002, 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 Group's business:

Name of director	Name of the company	Principal activities
Tay Chek Khoon	– Lanka Communication Services (Pvt) Ltd.	Provision of data communication services
	– Infoserve Technology Corp. (as an alternate director) – Infoserve Technology Hong Kong Limited (as an alternate director)	Provision of communication, internet, VPN and solution services
Lim Shyong	– GB21 (Hong Kong) Limited	Provision of telecommunication services and products
	– C2C Pte Ltd. – C2C Singapore Pte Ltd – Network i2i Limited	Operation and provision of telecommunication facilities and services utilizing a network of submarine cable systems and associated terrestrial capacity
	– C2C (Hong Kong) Limited – C2C Cable (Ireland) Limited – C2C Infocom Cable (Taiwan) Ltd – C2C Cable Korea Ltd – C2C Japan KK	Operation and provision of telecommunication facilities and services

Name of director	Name of the company	Principal activities
Lim Toon	– SingTelSat Pte Ltd	Provision of satellite capacity for telecommunication and video broadcasting services
	– C2C Pte Ltd.	Operation and provision of telecommunication facilities and services utilizing a network of submarine cable systems and associated terrestrial capacity
	– Bharti Telecom Limited – Bharti Tele-Ventures Limited	Provision of cellular, fixed line telecommunication and internet services
	– C2C Infocom Cable (Taiwan) Ltd. – C2C Cable Korea Ltd.	Operation and provision of telecommunication facilities and services
	– Singapore Telecom Hong Kong Limited – INS Holdings Pte Ltd.	Investment holding and provision of telecommunication services
	– SingTel Services Australia Pty Limited – SingTel (Philippines), Inc. – Singapore Telecom Taiwan Limited	Provision of customer services for telecommunication related activities
	– Singapore Telecom Japan Co., Ltd. – Singapore Telecom Korea Limited – Singapore Telecom India Private Limited	Provision of telecommunication services and all related activities
	– ST Paging Pte Ltd.	Sale of telecommunication equipment and provision of related services
	– SingTel Japan, Co., Ltd.	Engaged in telecommunication services business and all other related business

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, 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	51.92

Messrs. Chen Zhaobin, He Dongfeng, Cui Xinzheng, Wong Hung Khim, Hsu Chih Chang, Wu Jinfeng, Lim Shyong, Tay Chek Khoon, Yang Tze-kaing, Lim Toon, Liu Ji Yuan, Zhou Ze He, Wu Zhen Mu, Wu Hongju, Loh Yim Kew (alternate director to Lim Shyong) and Lim Bee Ling (alternate director to Tay Chek Khoon), 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 other interest representing 10% or more of the Company's issued share capital at 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in note 22 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 2002, the largest customer accounted for 23% (2001: 29%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 57% (2001: 55%) 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.

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.

HUMAN RESOURCES

The remuneration packages of employees are commensurable to their respective responsibilities and remain competitive under the current market trends. The Group joined the Mandatory Provident Fund in December 2000 and has a share option scheme for the benefit of employees and executive directors as well as non-executive director and independent non-executive directors.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Bye-Laws of the Company.

AUDITORS

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	**He Dongfeng**
Director	*Director*

Guilin, China, 7 April 2003

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 33 to 73 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 2002 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
Certified Public Accountants

Hong Kong, 7 April 2003

For the year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Turnover	4	**351,425**	374,158
Cost of services		**(275,717)**	(266,015)
		75,708	108,143
Write-back of provision on regulatory matters	5	**47,212**	–
Other operating income	6	**25,115**	78,491
Administrative expenses		**(69,886)**	(71,922)
Deficit arising on revaluation of investment property	14	**(70)**	(45)
Impairment loss recognised in respect of land and buildings	13	**(5,218)**	–
Impairment loss recognised in respect of goodwill arising on acquisition of interest in a subsidiary	15	**(3,376)**	–
Profit from operations	7	**69,485**	114,667
Finance costs	8	**–**	(5,644)
Share of results of jointly controlled entities		**(10,624)**	(5,067)
Profit before taxation		**58,861**	103,956
Taxation	10	**(36,814)**	(25,947)
Net profit for the year		**22,047**	78,009
Minority interests		**2,388**	–
Net profit attributable to shareholders		**24,435**	78,009
Dividends	11	**–**	20,636
Earnings per share			
– basic	12	**HK5.92 cents**	HK18.90 cents
– diluted	12	**HK5.92 cents**	HK18.85 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Property, plant and equipment	13	**2,018,873**	1,150,027
Investment property	14	**2,332**	2,402
Goodwill	15	**–**	–
Interest in jointly controlled entities	17	**86,263**	80,408
Interest in an associate	18	**–**	–
Pledged bank deposits	29	**–**	317,682
Club memberships		**5,537**	5,537
Transponder lease deposit		**353**	101
		2,113,358	1,556,157
Current assets			
Trade receivables	19	**23,981**	25,506
Deposits, prepayments and other receivables		**57,878**	17,343
Amount due from immediate holding company		**–**	20
Amount due from an associate		**209**	–
Pledged bank deposits	29	**317,686**	61,986
Bank balances and cash		**826,257**	1,619,686
		1,226,011	1,724,541
Current liabilities			
Other payables and accrued charges	20	**44,048**	90,517
Rentals received in advance		**43,482**	57,679
Tax payable		**81,279**	62,967
Secured bank borrowings due within one year	21	**317,682**	61,986
		486,491	273,149
Net current assets		**739,520**	1,451,392
		2,852,878	3,007,549

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Capital and reserves			
Share capital	22	**41,254**	41,272
Share premium		**1,283,520**	1,283,809
Contributed surplus	24	**511,000**	511,000
Translation reserves		**182**	–
Other reserves	24	**94**	64
Accumulated profits	24	**632,261**	628,492
		2,468,311	2,464,637
Minority interests		**6,838**	–
Non-current liabilities			
Secured bank borrowings due after one year	21	**163,800**	317,682
Loan from a minority shareholder		**7,488**	–
Deposits received	25	**39,542**	43,651
Deferred income	26	**41,436**	57,904
Deferred taxation	27	**125,463**	123,675
		377,729	542,912
		2,852,878	3,007,549

The financial statements on pages 33 to 73 were approved and authorised for issue by the Board of Directors on 7 April 2003 and are signed on its behalf by:

Chen Zhaobin
DIRECTOR

He Dongfeng
DIRECTOR

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Property, plant and equipment	13	**27**	110
Interest in subsidiaries	16	**1,888,157**	1,887,004
		1,888,184	1,887,114
Current assets			
Other receivables and prepayments		**185**	434
Bank balances and cash		**63,942**	85,041
		64,127	85,475
Current liabilities			
Other payables and accrued charges		**1,540**	1,244
Net current assets		**62,587**	84,231
		1,950,771	1,971,345
Capital and reserves			
Share capital	22	**41,254**	41,272
Share premium		**1,283,520**	1,283,809
Contributed surplus	24	**584,358**	584,358
Accumulated profits	24	**41,639**	61,906
		1,950,771	1,971,345

Chen Zhaobin
DIRECTOR

He Dongfeng
DIRECTOR

For the year ended 31 December 2002

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Accumulated profits HK$'000	Total HK$'000
THE GROUP							
Balance at 1 January 2001	41,280	1,283,993	511,000	–	–	612,467	2,448,740
Repurchase of shares	(8)	(184)	–	–	–	–	(192)
Transfer to other reserves	–	–	–	–	64	(64)	–
Dividends paid	–	–	–	–	–	(61,920)	(61,920)
Net profit for the year	–	–	–	–	–	78,009	78,009
Balance at 1 January 2002	41,272	1,283,809	511,000	–	64	628,492	2,464,637
Repurchase of shares	(18)	(289)	–	–	–	–	(307)
Translation difference not recognised in the income statement	–	–	–	182	–	–	182
Transfer to other reserves	–	–	–	–	30	(30)	–
Dividends paid	–	–	–	–	–	(20,636)	(20,636)
Net profit for the year	–	–	–	–	–	24,435	24,435
Balance at 31 December 2002	41,254	1,283,520	511,000	182	94	632,261	2,468,311
Attributable to jointly controlled entities							
At 31 December 2002	–	–	–	–	–	(15,028)	(15,028)
At 31 December 2001	–	–	–	–	–	(6,402)	(6,402)
THE COMPANY							
Balance at 1 January 2001	41,280	1,283,993	584,358	–	–	(6)	1,909,625
Repurchase of shares	(8)	(184)	–	–	–	–	(192)
Dividends paid	–	–	–	–	–	(61,920)	(61,920)
Net profit for the year	–	–	–	–	–	123,832	123,832
Balance at 1 January 2002	41,272	1,283,809	584,358	–	–	61,906	1,971,345
Repurchase of shares	(18)	(289)	–	–	–	–	(307)
Dividends paid	–	–	–	–	–	(20,636)	(20,636)
Net profit for the year	–	–	–	–	–	369	369
Balance at 31 December 2002	41,254	1,283,520	584,358	–	–	41,639	1,950,771

For the year ended 31 December 2002

	2002 HK$'000	2001 HK$'000
Cash flow from operating activities		
Profit before taxation	**58,861**	103,956
Adjustments for:		
Depreciation	**233,971**	217,021
Amortisation of goodwill	**660**	–
Impairment losses recognised	**8,594**	–
Interest income	**(22,189)**	(70,221)
Interest expense	**–**	5,644
Loss on disposal of property, plant and equipment	**30**	37
Deficit arising on the revaluation of investment property	**70**	45
Share of results of jointly controlled entities	**10,624**	5,067
Write-back of provision on regulatory matters	**(47,212)**	–
Allowance for doubtful receivables	**5,207**	–
Operating profit before working capital changes	**248,616**	261,549
Decrease in trade receivables	**1,659**	34,422
Increase in transponder lease deposit	**(252)**	(101)
Decrease (increase) in amount due from an immediate holding company	**20**	(20)
Increase in deposit, prepayments and other receivables	**(30,175)**	(833)
(Decrease) increase in other payables and accrued charges	**(5,534)**	13,450
(Decrease) increase in rentals received in advance	**(8,379)**	9,464
Decrease in amount due to a related company	**–**	(1,709)
Decrease (increase) in amounts due from jointly controlled entities	**198**	(218)
Increase in amount due from an associate	**(209)**	–
Decrease in deferred income	**(22,286)**	(28,104)
(Decrease) increase in deposits received	**(4,109)**	17,799
Cash generated from operations	**179,549**	305,699
Interest paid	**–**	(6,461)
Hong Kong profits tax paid	**(7,422)**	(5,704)
Overseas tax paid	**(9,364)**	(12,128)
Net cash flow from operating activities	**162,763**	281,406

For the year ended 31 December 2002

	2002 HK$'000	2001 HK$'000
Investing activities		
Additions to property, plant and equipment	**(1,091,362)**	(230,227)
Acquisition of a subsidiary	**(4,421)**	–
Capital contribution to a jointly controlled entity	**–**	(48,565)
Proceeds on disposal of property, plant and equipment	**5**	13,659
Increase in advances/loans to jointly controlled entities	**(23,650)**	(14,264)
Interest received	**20,254**	87,262
Decrease in pledged bank deposits	**61,982**	65,641
Net cash outflow from investing activities	**(1,037,192)**	(126,494)
Financing activities		
New bank borrowings	**163,800**	–
Repayment of bank borrowings	**(61,986)**	(175,320)
Dividends paid	**(20,636)**	(64,320)
Repurchase of shares	**(307)**	(192)
Net cash inflow (outflow) from financing activities	**80,871**	(239,832)
Net decrease in cash and cash equivalents	**(793,558)**	(84,920)
Cash and cash equivalents at beginning of the year	**1,619,686**	1,704,606
Effect of foreign exchange rate changes	**129**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**826,257**	1,619,686

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 (the "Stock Exchange") 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, operation and leasing of satellite telecommunication systems.

2. ADOPTION OF NEW STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice No. 34 "Employee Benefits" ("SSAP 34") issued by the Hong Kong Society of Accountants ("HKSA"). The standard introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of an investment property, 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 made up to 31 December each year.

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition of a subsidiary. Goodwill arising on consolidation is capitalised and amortised on a straight line basis over its estimated useful life less impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on the acquisitions of subsidiaries is presented separately in the balance sheet.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Interest in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interest in subsidiaries are stated at cost less any identified impairment loss.

Interest 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 less any identified impairment loss. 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.

Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a straight line basis over the relevant 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.

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 accumulated depreciation and impairment losses. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease terms
Leasehold buildings	2%
Leasehold improvements	Over the lease terms
Furniture and equipment	18% – 20%
Motor vehicles	18% – 20%
Computer equipment	18% – 20%
Communication satellite equipment	$6^2/_3$% – 20%
Communication station	18%
Communication satellites	5.94% – 10.27%

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.

In previous years, communication satellites were depreciated at $6^1/_4$% – 20% per annum. With effect from 1 July 2002, communication satellites other than those where had been fully depreciated, are to be depreciated at 5.94% – 10.27% per annum, which reflects the Group's re-estimation of the remaining useful lives of the assets and their residual value. The change in depreciation rate has increased the depreciation charge for the year by approximately HK$9,764,000.

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which the impairment loss is treated as revaluation decrease under that accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the revaluation asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuation at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except which are held on leases with an unexpired term of 20 years or less.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. 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 an 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 expenses under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Retirement benefits cost

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due.

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.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

4. TURNOVER

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

	2002 HK$'000	2001 HK$'000
Transponder lease income	**323,961**	359,482
Service income	**27,464**	14,676
	351,425	374,158

5. WRITE-BACK OF PROVISION ON REGULATORY MATTERS

Under the terms of an agreement made with an independent third party dated 18 August 1999 in relation to the leasing of substantially all of the transponder capacities of APSTAR IIR, the directors of the Group agreed to bear the cost of retrofitting the dishes of affected customers of APSTAR IIR as a result of increase in dish size. Provision was therefore made for the best estimate of the potential cash outflow under the agreement based on the estimated cost of retrofitting the dishes. During the year, the directors of the Group reassessed the probability of the need to increase the dish size of affected customers of APSTAR IIR. Based on information from the independent third party, there are currently no FM/TV carrier services and this greatly alleviated the probability of retrofitting the dish. Through and including the date hereof, the independent third party and potentially affected customers have not requested the Group for retrofitting the dishes. Accordingly, the directors are of the opinion that the probability of retrofitting the dish is remote and hence, no provision on regulatory matters is considered necessary. An amount of HK$47,212,000 (2001: nil) has been written back.

6. OTHER OPERATING INCOME

	2002 HK$'000	2001 HK$'000
Other operating income includes the following:		
Interest income	**22,189**	70,221
Rental income in respect of properties	**448**	349

7. PROFIT FROM OPERATIONS

	2002 HK$'000	2001 HK$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	**515**	400
Underprovision in prior year	**–**	120
Amortisation of goodwill (included in administrative expenses)	**660**	–
Bad debt written off	**107**	–
Depreciation	**233,971**	217,021
Exchange loss	**16**	312
Loss on disposal of property, plant and equipment	**30**	37
Minimum lease payments of operating lease rentals in respect of land and buildings	**3,597**	3,259
Minimum lease payments of operating lease rentals in respect of satellite transponders	**1,474**	33
Allowance for (write back of allowance for) doubtful receivables	**5,207**	(5,182)
Staff costs (including directors' emoluments)		
Pension contributions	**1,294**	1,219
Less: Forfeited contributions	**(28)**	(252)
Net pension contributions	**1,266**	967
Wages, salaries and bonuses	**35,900**	38,444
	37,166	39,411
Less: Capitalised in construction in progress	**(1,108)**	–
	36,058	39,411

8. FINANCE COSTS

	2002 HK$'000	2001 HK$'000
Interest on bank borrowings wholly repayable within five years	**117**	5,644
Other borrowing costs	**2,125**	–
Less: Amount capitalised in construction in progress	**(2,242)**	–
	–	5,644

Borrowing costs capitalised during the year arose on bank loans borrowed for the purpose of financing the construction and launching of satellites.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

	2002 HK$'000	2001 HK$'000
Directors' remuneration		
Fees to independent non-executive directors	**165**	200
Fees to non-executive directors	**573**	550
Remuneration to executive directors:		
Fees	**125**	139
Salaries and other benefits	**6,312**	5,505
Retirement benefits contributions	**201**	153
Compensation paid for the loss of office	**–**	2,729
	6,638	8,526
	7,376	9,276

Mr. Wu Hongju, an non-executive director and Mr. Huan Guocang, an independent non-executive director, have waived their directors' fee from the date of appointment up to 31 December 2002. Save as afore-mentioned, none of the Directors has waived the rights to receive their remunerations.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

Emoluments of the directors were within the following bands:

	Number of directors 2002	2001
Nil to HK$1,000,000	**19**	17
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1

Employees' remuneration

The five highest paid individuals of the Group included two directors (2001: three), details of whose remuneration are set out above. The emoluments of the remaining three (2001: two) highest paid employees are as follows:

	THE GROUP 2002 HK$'000	2001 HK$'000
Salaries and other benefits	**5,553**	6,919
Performance related incentive payments	**114**	203
Retirement benefits contributions	**266**	172
	5,933	7,294

Emoluments of these employees were within the following bands:

	Number of employee(s) 2002	2001
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
	3	2

10. TAXATION

	2002 HK$'000	2001 HK$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
Current year	**7,744**	6,283
Underprovision in prior years	**–**	1,388
Overseas tax calculated at rates prevailing in respective jurisdictions		
Current year	**23,551**	18,127
Underprovision in prior year	**3,731**	–
	35,026	25,798
Deferred taxation (note 27)	**1,788**	149
	36,814	25,947

Overseas tax includes the withholding tax paid or payable in respect of Group's transponder lease income derived from the lessees which are located outside Hong Kong.

The deferred taxation charge (credit) for the year comprises:

	2002 HK$'000	2001 HK$'000
Tax effect of timing differences attributable to:		
Difference between depreciation allowances for tax purposes and depreciation charged in the financial statements	**(10,862)**	(12,231)
Tax loss utilised – net	**13,758**	11,627
Other timing difference	**(162)**	162
Certain leasing arrangements	**(946)**	591
	1,788	149

11. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Proposed final dividend of nil (2001: HK5 cents) per share	–	20,636

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2002 HK$'000	2001 HK$'000
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (net profit attributable to shareholders)	**24,435**	78,009
	'000	**'000**
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**412,675**	412,773
Effect of dilutive share options	–	1,117
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**412,675**	413,890

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Communication satellite equipment HK$'000	Communication station HK$'000	Communication satellites HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP										
COST										
At 1 January 2002	49,419	5,523	18,520	4,708	1,940	73,816	–	2,100,129	288,514	2,542,569
Acquisition of a subsidiary	–	580	638	490	–	2,651	–	–	6,720	11,079
Additions	23	269	308	253	97	15,953	–	–	1,080,091	1,096,994
Disposals	–	–	(262)	(712)	(450)	–	–	–	–	(1,424)
Transfer	69,328	538	31,191	–	–	2,473	5,179	–	(108,709)	–
Exchange adjustments	–	–	–	–	–	(1)	–	–	(2)	(3)
At 31 December 2002	118,770	6,910	50,395	4,739	1,587	94,892	5,179	2,100,129	1,266,614	3,649,215
DEPRECIATION										
At 1 January 2002	5,412	3,982	17,844	4,009	1,105	44,139	–	1,316,051	–	1,392,542
Provided for the year	2,518	777	5,942	393	252	8,228	291	215,570	–	233,971
Impairment loss recognised	5,218	–	–	–	–	–	–	–	–	5,218
Disposals	–	–	(255)	(712)	(422)	–	–	–	–	(1,389)
At 31 December 2002	13,148	4,759	23,531	3,690	935	52,367	291	1,531,621	–	1,630,342
NET BOOK VALUE										
At 31 December 2002	105,622	2,151	26,864	1,049	652	42,525	4,888	568,508	1,266,614	2,018,873
At 31 December 2001	44,007	1,541	676	699	835	29,677	–	784,078	288,514	1,150,027

During the year, the directors of the Group conducted a review of the Group's land and buildings and determined that certain properties were impaired due to the recoverable amount of the assets is estimated to be less than its carrying amount. Accordingly, impairment loss of approximately HK$5,218,000 in respect of land and buildings has been recognised and charged to the income statement.

Included in construction in progress is net interest capitalised of approximately HK$117,000 (2001: Nil).

Included in the construction in progress is an amount of approximately HK$619,039,000 representing the costs incurred for constructing a new satellite that has 54 transponders. On 23 September 2002, a subsidiary of the Company has entered into a term-sheet (the "Term-sheet") with an independent third party. Under the Term-sheet, the third party agreed to participate in the development of APSTAR V through taking up 50% of the investment of the satellite project on an equal proportion basis in order to obtain 27 transponders at an estimated amount of approximately US$115 million. Details of the deal had been set out in the circular of 7 October 2002 to shareholders.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicle HK$'000
THE COMPANY	
COST	
At 1 January 2002 and 31 December 2002	411
DEPRECIATION	
At 1 January 2002	301
Provided for the year	83
At 31 December 2002	384
NET BOOK VALUE	
At 31 December 2002	27
At 31 December 2001	110

The net book value of land and buildings held by the Group as at 31 December 2002 is analysed by locations as follows:

	Land and buildings 2002 HK$'000	2001 HK$'000
Medium-term leases outside Hong Kong	**2,718**	3,812
Medium-term leases in Hong Kong	**102,904**	40,195
	105,622	44,007

14. INVESTMENT PROPERTY

The investment property was valued at its open market value at 31 December 2002 of approximately HK$2,332,000 (2001: HK$2,402,000) by Chesterton Petty Limited, an independent professional property valuer, on an open market value basis. This valuation gave rise to a revaluation deficit of HK$70,000 (2001: HK$45,000) which has been charged to the income statement.

The investment property, which is situated in the People's Republic of China (the "PRC") under medium-term lease, is rented out under an operating lease and the rental income earned from the investment property during the year was HK$257,000 (2001: HK$129,000).

15. GOODWILL

	HK$'000
COST	
Arising on acquisition of interest in a subsidiary during the year and at 31 December 2002	4,036
AMORTISATION AND IMPAIRMENT	
Charge for the year	660
Impairment loss recognised during the year	3,376
At 31 December 2002	4,036
NET BOOK VALUE	
At 31 December 2002	–

The amortisation period adopted for goodwill is 55 months.

At the balance sheet date, the directors of the Group have reviewed the impairment of the goodwill by comparing the Group's share of the recoverable amount of the subsidiary concerned as a whole to the Group's share of the carrying value of assets together with the goodwill. In view of the net liabilities position of the subsidiary and based on the projected future operating cash flow, it is expected that the remaining unamortised balance will not be recovered and therefore, an impairment is recognised.

16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**615,862**	615,862
Amounts due from subsidiaries	**1,272,295**	1,271,142
	1,888,157	1,887,004

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The Company has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.

Details of the subsidiaries of the Company as at 31 December 2002 are set out in note 34.

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**34,047**	44,163
Amounts due from jointly controlled entities	**52,216**	28,805
Loans to a jointly controlled entity	**–**	7,440
	86,263	80,408

Details of the jointly controlled entities of the Group as at 31 December 2002 are set out below:

Name of entity	Form of business structure	Place of incorporation/ registration	Nominal value of issued share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Nature of business
APT Satellite Telecommunications Limited ("APT Telecom")	Incorporated	Hong Kong	HK$88,300,100	55%	Provision of telecommunication services
北京中廣信達數據廣播技術有限公司 ("中廣信達")	Joint venture, Incorporated	PRC	Registered capital RMB11,000,000	35%	Provision of data transmission services

APT Telecom is considered as a jointly controlled entity as 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.

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed repayment terms. The Group has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are classified as non-current.

The loans granted to a jointly controlled entity in 2001 were unsecured. An outstanding loan balance of HK$1,240,000 was interest free for the first six months from the date of the advance and thereafter bears interest at 6% per annum. Another loan amounting to HK$6,200,000 was interest-free.

During the year, the Group has acquired an additional 20% interest in CTIA VSAT Network Limited ("CTIA"), previously was a 40% owned jointly controlled entity, for a consideration of HK$7,180,000. CTIA became a subsidiary and its assets and liabilities have been consolidated after the acquisition.

18. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Share of net asset	**–**	–

At the balance sheet date, the Group has a 35% interest in the issued ordinary shares capital of APT Eurosportnews Distribution Limited, a company incorporated in Hong Kong which is engaged in the provision of satellite television broadcasting services.

19. TRADE RECEIVABLES

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Due from third parties	**23,827**	14,408
Due from a shareholder of the Company	**53**	11,098
Due from a jointly control entity	**101**	–
	23,981	25,506

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	
	2002	2001
	HK$'000	HK$'000
0 – 30 days	**9,735**	15,887
31 – 60 days	**4,550**	3,348
61 – 90 days	**4,150**	1,719
91 – 120 days	**546**	147
120 days	**5,000**	4,405
	23,981	25,506

20. OTHER PAYABLES AND ACCRUED CHARGES

At 31 December 2001, the balance included a provision on regulatory matters in respect of the life lease of transponders of APSTAR IIR of HK$47,212,000. In current year, the provision has been written back. The details are set out in note 5.

21. SECURED BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Bank loans	**481,482**	379,668
Less: Amount due within one year included under current liabilities	**(317,682)**	(61,986)
Amount due after one year	**163,800**	317,682
Bank borrowings are repayable:		
On demand or within one year	**317,682**	61,986
In the second year to fifth years inclusive	**163,800**	317,682
	481,482	379,668

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 2002, the bank loans borrowed by the Partnership of HK$317,682,000 (2001: HK$379,668,000) included above are secured by time deposits of an equivalent amount (see note 29). The amounts of bank loans and time deposits are separately presented in the balance sheet. The corresponding interest income and interest expense for the year amounted to HK$43,685,000 (2001: HK$50,511,000) are set-off in the consolidated income statement.

22. SHARE CAPITAL

	Number of shares '000	Issued and fully paid share capital HK$'000
Ordinary shares of HK$0.10 each		
Balance at 1 January 2001	412,800	41,280
Repurchase of shares	(80)	(8)
Balance at 31 December 2001 and at 1 January 2002	412,720	41,272
Repurchase of shares	(185)	(18)
Balance at 31 December 2002	412,535	41,254

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 either year.

22. SHARE CAPITAL (Continued)

During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase in 2002	Number of shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
October	185,000	1.75	1.44	307

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.

23. SHARE OPTIONS

At the annual general meeting on 22 May 2001, the Company adopted a share option scheme ("Scheme 2001") and granted options to its employees on 19 June 2001. On 22 May 2002, the Company adopted a new share option scheme ("Scheme 2002") at its 2002 annual general meeting. Thereafter, no future options can be granted under the Scheme 2001. The options granted on 19 June 2001 shall continue to be valid until their expiry.

The total number of shares which may be issued upon exercise of all options to be granted under Scheme 2001 and Scheme 2002 shall not in aggregate exceed 10% of the total number of shares of the Company ("Shares") in issue on the adoption date of the Scheme 2002 (i.e. 412,720,000 shares). As at the date of report, the shares of the Company in issue was 412,535,000 shares.

Under Scheme 2002, the total number of Shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. The exercise price (subscription price) shall be such price as determined by the Board of Directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the Shares as stated in the Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

During the year, no options had been granted under the Scheme 2002.

23. SHARE OPTIONS (Continued)

Under the Scheme 2001, the maximum entitlement of each eligible person was that the total number of shares issued or issuable under all options granted to such eligible person (including both exercised and outstanding options) upon such grant being made shall not exceed 25% of the total number of the Shares for the time being issued and issuable under the Scheme 2001. In addition, the subscription price was determined by the Board of Directors on a case-by-case basis and would not be less than the nominal value of the Shares nor at a discount of more than 20% below the average closing price of the Shares as stated in the Exchange's daily quotation sheets on the five dealing days immediately preceding the date on which the invitation to apply for an option under Scheme 2001.

The particulars of the share options granted under the Scheme 2001 outstanding during the year are as follows:

	Number of share options
Outstanding as at 1 January 2002	13,450,000
Cancelled during the year	(40,000)
Outstanding as at 31 December 2002	13,410,000

The above granted options have an exercise price of HK$2.765 per share and are exercisable within the period from 22 May 2003 to 21 May 2011.

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

24. CONTRIBUTED SURPLUS/OTHER RESERVES/ACCUMULATED PROFITS

The contributed surplus of the Group 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.

The contributed surplus of the Company also 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.

Other reserves represent Enterprise Expansion Fund and General Reserve Fund set aside by a subsidiary in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

At 31 December 2002, the Company's reserves available for distribution amounted to HK$625,997,000 (2001: HK$646,264,000) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

25. DEPOSITS RECEIVED

The amount represents deposits received in respect of leasing of satellite transponders.

26. 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 future periods.

27. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**123,675**	123,526
Charge for the year (note 10)	**1,788**	149
Balance at end of the year	**125,463**	123,675

27. DEFERRED TAXATION (Continued)

The principal components of the provision for deferred taxation liability (asset) are as follows:

	THE GROUP 2002 HK$'000	THE GROUP 2001 HK$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	**66,637**	77,499
Tax losses	**(51,115)**	(64,873)
Other timing differences	**–**	162
Certain leasing arrangements	**109,941**	110,887
	125,463	123,675

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 leasing arrangements. Any differences between the initial benefit and the eventual tax liability are provided for over the lives of the relevant leases.

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

	THE GROUP AND THE COMPANY 2002 HK$'000	THE GROUP AND THE COMPANY 2001 HK$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	**–**	11
Unutilised tax losses carried forward	**(1,679)**	(1,539)
	(1,679)	(1,528)

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

27. DEFERRED TAXATION (Continued)

Deferred tax has not been provided on the deficit arising on the revaluation of the Group's properties because gain/loss on the disposal of these assets would not be subject to taxation. Accordingly, the deficit arising on revaluation does not constitute a timing difference.

28. ACQUISITION OF A SUBSIDIARY

On 11 April 2002, the Group had completed the acquisition of an additional 20% interest in CTIA such that CTIA became a subsidiary of the Company thereafter. The transaction has been accounted for by the acquisition method of accounting.

	HK$'000
Net assets acquired:	
Property, plant and equipment	11,079
Interest in jointly controlled entity	509
Trade receivables	848
Deposits, prepayments and other receivables	13,473
Bank balances and cash	2,759
Other payables and accrued charges	(3,135)
Amount due to shareholders	(16,902)
Minority interests	(9,231)
	(600)
Shareholders' loan acquired	3,744
Goodwill	4,036
Total consideration	7,180
Satisfied by:	
Cash consideration	7,180
Net cash outflow arising on acquisition:	
Cash consideration	7,180
Bank balances and cash acquired	(2,759)
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	4,421

The subsidiary acquired during the year contributed approximately HK$3,896,000 to the Group's turnover and approximately a loss of HK$4,800,000 to the Group's result from operations.

29. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's banking facilities are secured by the Group's land and buildings with a net book value of HK$5,120,000 (2001: HK$8,035,000).

Furthermore, at 31 December 2002, the Group had outstanding bank loans of approximately HK$317,682,000 (2001: HK$379,668,000) arranged under certain lease arrangements which are secured by time deposits of an equivalent amount. Of this amount HK$317,682,000 (2001: HK$61,986,000) is included as part of current pledged bank deposits.

In December 2002, the Group entered into a US$240 million secured term loan facility, which is secured by the assignment of the construction, launching and related equipment contracts relating to satellites under construction and their related insurance claim proceeds, assignment of all present and future lease agreements of their transponders of satellites under construction, first fixed charge over certain bank accounts which will hold receipts of the transponder income and the termination payments under construction, launching and related equipment contracts. At 31 December 2002, the assets under fixed charge are the satellites under construction with carrying value of approximately HK$1,259,513,000 (2001: N/A) and bank deposit of approximately HK$4,000 (2001: N/A).

30. 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 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$75,864,000.

The Company has given guarantee to banks in respect of the secured term loan facility granted to its subsidiary. The extent of such facility utilised by the subsidiary at 31 December 2002 amounted to HK$163,800,000 (2001: Nil).

31. CAPITAL COMMITMENTS

At 31 December 2002, the Group had authorised but not contracted capital commitments of HK$868,997,000 (2001: HK$295,937,000) and contracted but not provided for capital commitments of HK$1,095,129,000 (2001: HK$2,230,257,000) mainly in respect of the procurement and launch of new satellites, APSTAR V and APSTAR VI.

Also, the Group's share of the capital commitments of jointly controlled entities not included in the above are as follows:

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Authorised but not contracted	–	48,975
Contracted but not provided for in the financial statements	**69,407**	40,252
Total commitments	**69,407**	89,227

32. LEASING ARRANGEMENTS

The Group as lessee

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

Land and buildings:

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Within one year	**3,452**	3,440
After one but within five years	**670**	4,064
	4,122	7,504

Operating lease payments represent rental payable by the Group for its office properties. Leases are negotiated for average term of 3 years and rentals are fixed over the whole lease.

32. LEASING ARRANGEMENTS (Continued)

The Group as lessee (Continued)

Satellite transponders:

	THE GROUP	
	2002	2001
	HK$'000	HK$'000
Within one year	**3,037**	402
In the second to fifth year inclusive	**4,565**	1,206
	7,602	1,608

Operating lease payments represent rental payable by the Group for leasing of satellite transponders for a term of 3 years and rentals are fixed for the whole lease term.

The Group as lessor

Rental income in respect of leasing of satellite transponders earned during the year was HK$323,961,000 (2001: HK$359,482,000). Depreciation charged for the year in respect of these satellites was HK$215,570,000 (2001: HK$208,458,000). At the balance sheet date, communication satellites with an aggregated net book value of HK$568,508,000 (2001: HK$784,078,000) were held for the purpose of transponder leasing and the Group had contracted with customers for the following future minimum lease payments under non-cancellable operating leases:

	2002	2001
	HK$'000	HK$'000
Within one year	**196,242**	268,970
After one but within five years	**143,980**	277,991
	340,222	546,961

32. LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

At the balance sheet date, the Group contracted with a jointly controlled entity in respect of rented premises and facilities management services under non-cancellable operating leases. The future minimum lease payments are calculated based on the terms of the respective operating lease agreement that have been revised subsequently after the balance sheet date and are fall due as follows:

	2002 HK$'000	2001 HK$'000
Within one year	**4,330**	8,110
After one but within five years	**16,440**	35,275
Over five years	**16,794**	44,854
	37,564	88,239

Property rental income earned during the year was HK$448,000 (2001: HK$349,000). At the balance sheet date, certain properties with an aggregate carrying value of HK$6,327,000 (2001: HK$9,109,000) were held for rental purpose and the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due within one year amounting to HK$291,000 (2001: HK$404,000) and after one but within five years amounting to HK$129,000 (2001: HK$129,000). Depreciation charged for the year in respect of these properties was HK$149,000 (2001: HK$149,000).

The Company did not have any leasing arrangements at the balance sheet date.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The Group also joins the retirement insurance scheme operated by the local government under the law of the PRC for all employees in the PRC. Under the scheme, both the Group and employees are required to contribute 8% and 5% of the monthly salary respectively to the retirement insurance scheme.

The only obligation of the Group with respect to the Mandatory Provident Fund Scheme and the retirement insurance scheme is to make the specific contributions.

34. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2002 are as follows:

Name of Company	Place of incorporation/ establishment/ operation*	Nominal value of issued share capital**	Principal activities	Percentage of issued equity share capital held by the Company
Direct				
APT Satellite Investment Company Limited	British Virgin Islands	US$1,400	Investment holding	100%
Indirect				
Acme Star Investment Limited	Hong Kong	HK$2	Investment holding	100%
APT Satellite Company Limited	Hong Kong	Ordinary Class "A" HK$100 Non-voting Deferred Class "B" HK$542,500,000	Satellite transponder leasing	100%
APT Satellite Enterprise Limited	Cayman Islands	US$2	Satellite transponder leasing	100%
APT Satellite Global Company Limited	Cayman Islands	US$2	Investment holding	100%
APT Satellite Link Limited	Cayman Islands	US$2	Satellite transponder leasing	100%
APT Satellite TV Development Limited (formerly APT Satellite Glory Limited)	Hong Kong	HK$2	Provision of satellite television uplink and downlink services	100%
APT Satellite Vision Limited	Hong Kong	HK$2	Satellite leasing	100%

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of Company	Place of incorporation/ establishment/ operation*	Nominal value of issued share capital**	Principal activities	Percentage of issued equity share capital held by the Company
Indirect (Continued)				
APT Satellite (Apstar V) Limited	Hong Kong	HK$2	Not yet commence business	100%
Haslett Investments Limited	British Virgin Islands	US$1	Investment	100%
Telewell Investment Limited	Hong Kong	HK$2	Investment holding	100%
The 138 Leasing Partnership	Hong Kong	Partners' capital HK$329,128,857	Satellite leasing	N/A
Ying Fai Realty (China) Limited	Hong Kong/PRC	HK$20	Property holding	100%
亞訊通信技術開發(深圳)有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	Wholly owned foreign enterprises, PRC	Registered capital HK$5,000,000	Satellite transponder leasing	100%
CTIA VSAT Network Limited	Hong Kong	HK$5,000,000	Investment holding	60%
北京亞太東方通信網絡有限公司	Joint venture, PRC	Registered capital US$4,000,000	Provision of data transmission services	60%

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

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

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

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2002 HK$'000	2001 HK$'000
Income from leasing of transponders to certain shareholders of the Company (note i)	**34,551**	20,809
Income from leasing of transponders to a holding company of a shareholder of the Company (note i)	**18,594**	19,500
Income from leasing of transponders to a jointly controlled entity (note i)	**8,245**	6,282
Management fee income from a jointly controlled entity (note ii)	**1,500**	1,500
Management fee income from an associate (note iii)	**189**	–
Interest income from jointly controlled entities (note iv)	**–**	2,820
Interest income from a subsidiary of a shareholder (note v)	**–**	995
Facilities management services income from a jointly controlled entity (note vi)	**8,311**	–
Rental expenses in connection with the leasing of transponders from a shareholder of the Company (note vii)	**2,574**	3,510
Technical support services expenses to a shareholder of the Company (note viii)	**–**	4,490
Management fee expenses to a holding company of a shareholder of the Company (note ix)	**2,280**	1,802
Land and buildings transferred to a jointly controlled entity (note x)	**–**	13,657
Payments in connection with the satellite project to a shareholder of the Company (note xi)		
– service fee	**–**	1,560
Payments in connection with the satellite project to a fellow subsidiary of a shareholder of the Company (note xi)		
– service fee	**12,324**	140,166

35. RELATED PARTY TRANSACTIONS (Continued)

(b) At the balance sheet date, the Group had the following amounts included in the balance sheet in respect of amounts owing by and to related parties:

	Trade receivables		Deposits, prepayments and other receivables		Other payables and accrued charges		Rentals received in advance and deferred income	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Jointly controlled entities	**101**	–	**52,215**	36,471	**1,590**	3,329	**–**	–
Certain shareholders of the Company	**53**	11,098	**–**	956	**4,665**	4,594	**12,638**	21,309
Holding company of a shareholder of the Company	**–**	–	**–**	–	**31,862**	35,112	**1,113**	–
Shareholder of a jointly controlled entity	**–**	–	**4,673**	4,673	**–**	–	**–**	–

(c) In addition, at 31 December 2002, the Group had outstanding commitment to pay launch service fee to a fellow subsidiary of a shareholder of the Company amounting to HK$317,850,000 (2001: HK$330,174,000).

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 jointly controlled entity under the agreement.

(iii) Management fee income from an associate arose from the reimbursement of expenses paid on behalf of an associate.

(iv) The interest income from a jointly controlled entity arose from loans made to the entity, further details of which are disclosed in note 17.

35. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

(v) The interest income was calculated at 4.25% per annum on the outstanding principal.

(vi) The directors consider that the facilities management services income is charged according to the terms and conditions similar to those offered to other customers.

(vii) The directors consider that the terms and conditions of these transponders lease agreements are similar to those offered to other customers by the lessor.

(viii) The directors consider that the technical support services expenses were charged according to prices and conditions similar to those offered to other customers by the service provider.

(ix) Management fee expenses arose from a reimbursement of cost of service provided from the holding company of a shareholder of the Company.

(x) The land and buildings were transferred at the net book value at the date of transfer.

(xi) 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.

36. SEGMENTAL INFORMATION

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

The Group's geographical segment analysis of turnover and contribution to profit from operations by location of customers, is as follows:

	2002		2001	
	Turnover HK$'000	Contribution to profit from operations HK$'000	Turnover HK$'000	Contribution to profit from operations HK$'000
Hong Kong	**47,178**	**10,164**	40,459	11,694
Other regions in the PRC	**254,901**	**54,914**	270,009	78,041
Others	**49,346**	**10,630**	63,690	18,408
	351,425	**75,708**	374,158	108,143
Other operating income		**72,327**		78,491
Unallocated corporate expenses		**(78,550)**		(71,967)
Profit from operations		**69,485**		114,667

The Group's operating assets consist primarily of its satellites which are used, or are intended for use, for transmission to multiple countries but not located at a specific geographical area. Accordingly, no segment analysis of the carrying amount of segment assets by location of assets is presented.

36. SEGMENTAL INFORMATION (Continued)

The Group's analysis of the total carrying amount of segment assets and segment liabilities by location of customers is as follows:

	2002		2001	
	Segment assets HK$'000	Segment liabilities HK$'000	Segment assets HK$'000	Segment liabilities HK$'000
Hong Kong	**206**	**17,970**	23	27,028
Other regions in the PRC	**42,077**	**69,935**	23,646	92,543
Others	**934**	**38,347**	1,837	39,663
	43,217	**126,252**	25,506	159,234
Unallocated corporate assets/liabilities	**3,296,152**	**737,968**	3,255,192	656,827
	3,339,369	**864,220**	3,280,698	816,061

RESULTS

	Year ended 31 December				
	1998	1999	2000	2001	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	587,805	481,958	341,496	374,158	**351,425**
Cost of services	(388,876)	(355,526)	(261,518)	(266,015)	**(275,717)**
	198,929	126,432	79,978	108,143	**75,708**
Other operating income	14,605	436,016	179,742	78,491	**72,327**
Administrative expenses	(84,620)	(84,395)	(65,540)	(71,922)	**(69,886)**
Other operating expenses and losses	(388)	–	–	(45)	**(8,664)**
Profit from operations	128,526	478,053	194,180	114,667	**69,485**
Finance costs	(57,282)	(31,750)	(15,338)	(5,644)	**–**
Share of results of jointly controlled entities	–	–	(1,335)	(5,067)	**(10,624)**
Profit before taxation	71,244	446,303	177,507	103,956	**58,861**
Taxation	(12,027)	(71,764)	(34,511)	(25,947)	**(36,814)**
Net profit for the year	59,217	374,539	142,996	78,009	**22,047**
Minority interests	–	–	–	–	**2,388**
Net profit attributable to shareholders	59,217	374,539	142,996	78,009	**24,435**

ASSETS AND LIABILITIES

	As at 31 December				
	1998	1999	2000	2001	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	3,923,930	3,792,751	3,421,151	3,280,698	**3,339,369**
Total liabilities	(1,792,671)	(1,286,953)	(972,411)	(816,061)	**(864,220)**
Minority interests	–	–	–	–	**(6,838)**
Net assets	2,131,259	2,505,798	2,448,740	2,464,637	**2,468,311**

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) Revenue recognition

Certain of the Group's transponder lease agreements for transponder capacity contain pre-determined escalations over the terms of the agreements. In previous years, revenue was recognised on an accrual basis under the contract terms. For US GAAP, revenue is recognised on a straight line basis over the relevant lease term.

(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) Share options

Under HK GAAP, no compensation expense is recognised.

Under US GAAP, in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issue to Employees" ("APB 25"), compensation expense is recognised for options granted to employees to the extent that the fair value of the equity instrument exceeds the exercise price of the option granted at a defined measurement date, which is generally the grant date unless certain conditions apply. Under Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation", an entity may alternatively compute compensation expense based on the fair value of the options granted. The Company has adopted APB 25 for purposes of accounting for stock option issued to employees.

(e) Goodwill

HK GAAP requires goodwill arising from an acquisition to be capitalised and amortised over its estimated useful life. Negative goodwill is presented as a deduction from positive goodwill and is released to income based on an analysis of the circumstances from which the balance of negative goodwill resulted. At each balance sheet date, the recoverable amount of goodwill must be estimated and any impairment loss should be taken to the income statement.

Under US GAAP effective 1 January 2002, SFAS No. 142, "Goodwill and Other Intangible Assets", requires that goodwill and other indefinite life assets acquired in a business combination no longer be amortised, instead, these assets must be tested for impairment at least annually. The excess fair value of net assets acquired over the purchase price shall be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except financial assets other than investments accounted for by the equity method, assets to be disposed of by sale, deferred tax assets, prepaid assets relating to pension or other postretirement benefit plans, and any other current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess shall be recognised as an extraordinary gain. The extraordinary gain shall be recognised in the period in which the business combination is completed unless the acquisition involves contingent consideration that, if paid or issued, would be recognised as an additional element of cost of the acquired entity.

(f) Impairment of long-lived assets

HK GAAP requires that an enterprise assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A reversal of previous impairment provisions is allowed to the extent of the loss previously recognised as expense in the income statement.

Under US GAAP, in according to the SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", long-lived assets (except goodwill and other indefinite life assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognised if the expected future cash flows (undiscounted) are less than the carrying amount of the assets. The impairment loss is measured based on the fair value of the asset (less disposal cost if to be disposed of). Subsequently reversal of the loss is prohibited.

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

	2002 HK$'000	2001 HK$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	**24,435**	78,009
Adjustments:		
Recognition of revenue	**(3,697)**	(1,476)
Investment property	**(13)**	(66)
Tax effect of reconciling items	**591**	236
Compensation expense of share options granted	**(7,553)**	(4,074)
Approximate net income as reported under US GAAP	**13,763**	72,629

Under US GAAP effective from 1 January 2002, goodwill is no longer be amortised but is subject to annual impairment review. Hence, amortisation of goodwill of approximately HK$660,000 which has been provided under HK GAAP during 2002 was reversed under US GAAP. However, as a result of the Group's impairment assessment, a provision was recorded to reduce goodwill to its estimated fair value for both HK GAAP and US GAAP. The impairment provision recorded under US GAAP was HK$660,000 higher than that recorded under HK GAAP.

Earnings per share under US GAAP – basic	**3.34 HK cents**	17.60 HK cents
– diluted	**3.34 HK cents**	17.55 HK cents

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

	2002 HK$'000	2001 HK$'000
Shareholders' equity as reported under HK GAAP	**2,468,311**	2,464,637
Adjustments:		
Recognition of revenue	**–**	3,697
Investment property	**368**	381
Tax effect of reconciling items	**–**	(591)
Shareholders' equity as reported under US GAAP	**2,468,679**	2,468,124

NOTICE IS HEREBY GIVEN that the Annual General Meeting of APT Satellite Holdings Limited ("the Company") will be held at the Satellite Control Centre of the Company, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 22 May 2003 at 11:00 a.m. for the following purposes:

Ordinary Business

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and of the auditors for the year ended 31 December 2002.

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

3. To appoint the auditors of the Company and to authorise the Board of Directors to fix their remuneration.

Special Business

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

   "**THAT**

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

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

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

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

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

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

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

"**THAT**

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

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

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

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

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

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

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

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

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

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

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

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

"**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to issue, allot and dispose of shares pursuant to Resolution 5 above be and is hereby extended by the addition to the total nominal amount of share capital and any shares which may be issued, allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to Resolution No. 4 above, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue at the date of this Resolution."

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

Hong Kong, 7 April 2003

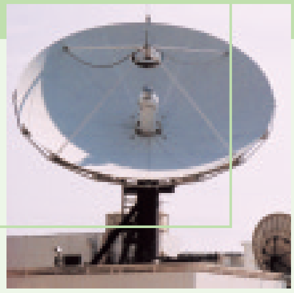
Notes:

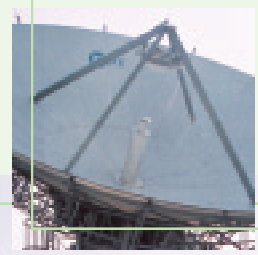
(a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(b) In order to be valid, the form of proxy must be deposited with the Company's branch share registrars in Hong Kong, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time appointed for the meeting or adjourned meeting (as the case may be).

(c) The Register of Members of the Company will be closed from Monday, 19 May 2003 to Thursday, 22 May 2003, both days inclusive, during which period no transfers of shares can be registered.

(d) An explanatory statement containing further details regarding Resolutions no.4 to 6 above will be sent together with the Annual Report to the shareholders.



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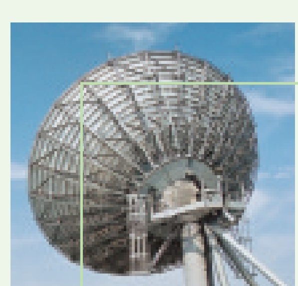

APT Satellite Holdings Limited

Hong Kong Office
Rooms 3111-3112, 31/F., One Pacific Place, 88 Queensway, Hong Kong
Tel : (852) 2526 2281 Fax : (852) 2522 0419 Email : aptmk@apstar.com

Beijing Office
Rm. 815, Bright China Chang An Building, Jianguomennei Dajie, Dongcheng District, Beijing, China
Post Code: 100005 Tel: (8610) 6510 1735 Fax: (8610) 6510 1736

APT Communication Technology Development (Shenzhen) Co., Ltd.
Room B, 8/F., A. Zhen Ye Building, 2014 Bao an nan Road, Luohu District, Shenzhen, China
Post Code: 518010 Tel: (86755) 2586 2118 Fax: (86755) 2586 2518

www.apstar.com