APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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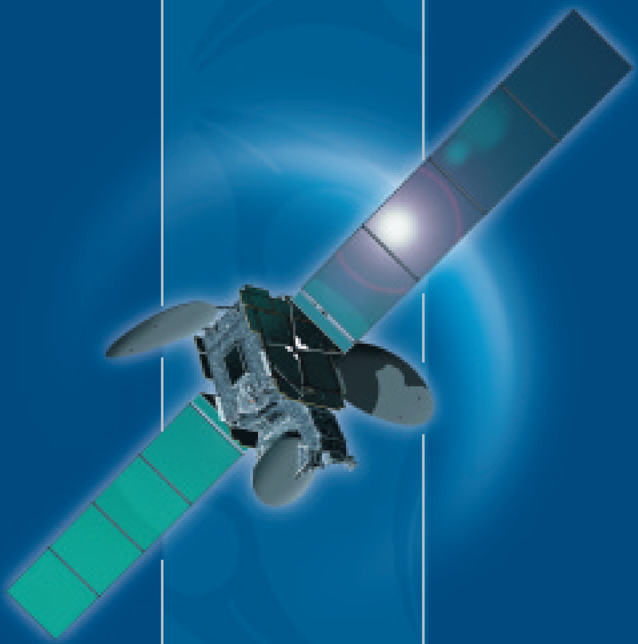
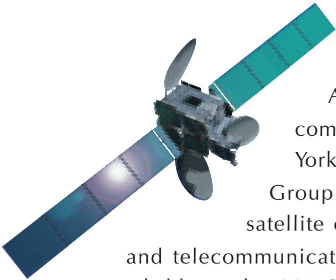


INTERIM

REPORT



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 November 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	China (including Hong Kong, Macau and Taiwan)
					8	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	–	–

For further information, please contact:
Address: Room 3111-3112, 31/F., One Pacific Place, 88 Queensway, Hong Kong
Tel: (852) 2526 2281
Fax: (852) 2522 0419
Email: aptir@apstar.com (Investors Relation), aptmk@apstar.com (Marketing)
Web-site: www.apstar.com

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of APT Satellite Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003.

The interim financial report has been reviewed by the Company's audit committee and the auditors.

RESULTS

The Group's turnover and consolidated net loss attributable to shareholders amounted to HK$151,261,000 (2002: HK$176,644,000) and HK$162,743,000 (2002: profit of HK$30,632,000) respectively. Basic loss per share was HK39.45 cents (2002: earnings of HK7.42 cents).

INTERIM DIVIDEND

In view of the loss recorded for the first half of 2003 and in line with the need of the Group's future development, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2003 (2002: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2003	2002
		$'000	$'000
		(Unaudited)	(Unaudited)
Turnover	3	**151,261**	176,644
Cost of services		**(141,769)**	(132,255)
		9,492	44,389
Write-back of provision on regulatory matters	4	**–**	23,400
Other operating income		**5,026**	15,586
Impairment loss on fixed assets	5	**(92,438)**	–
Administrative expenses		**(31,584)**	(31,394)
(Loss)/profit from operations	3	**(109,504)**	51,981
Share of results of jointly controlled entities		**(54,345)**	(5,074)
(Loss)/profit from ordinary activities before taxation	6	**(163,849)**	46,907
Taxation	7	**622**	(16,969)
(Loss)/profit from ordinary activities after taxation		**(163,227)**	29,938
Minority interests		**484**	694
Net (loss)/profit attributable to shareholders		**(162,743)**	30,632
(Loss)/earnings per share	9		
– Basic		**(39.45) cents**	7.42 cents
– Diluted		**(39.45) cents**	7.40 cents

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2003
(Expressed in Hong Kong dollars)

	Note	At 30 June 2003 $'000 (Unaudited)	At 31 December 2002 $'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**2,317,053**	2,018,873
Investment property		**2,332**	2,332
Interest in jointly controlled entities		**71,632**	86,263
Interest in an associate		**–**	–
Club memberships		**5,537**	5,537
Transponder lease deposit		**353**	353
Deferred tax assets		**9,416**	–
		2,406,323	2,113,358
Current assets			
Trade receivables	11	**49,763**	23,981
Deposits, prepayments and other receivables		**50,407**	57,878
Amount due from immediate holding company		**10**	–
Amount due from an associate		**248**	209
Pledged bank deposits		**283,828**	317,686
Cash and cash equivalents		**344,199**	826,257
		728,455	1,226,011
Current liabilities			
Other payables and accrued charges		**56,321**	44,048
Rentals received in advance		**28,501**	43,482
Tax payable		**92,318**	81,279
Secured bank borrowings due within one year	12	**283,824**	317,682
		460,964	486,491
Net current assets		**267,491**	739,520
Total assets less current liabilities carried forward		**2,673,814**	2,852,878

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2003
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2003 $'000 (Unaudited)**	At 31 December 2002 $'000 (Audited)
Total assets less current liabilities brought forward		**2,673,814**	2,852,878
Non-current liabilities			
Secured bank borrowings due after one year	12	**163,800**	163,800
Loan from a minority shareholder		**7,488**	7,488
Deposits received		**39,021**	39,542
Deferred income		**32,477**	41,436
Deferred tax liabilities		**119,267**	125,463
		362,053	377,729
Minority interests		**6,354**	6,838
Net assets		**2,305,407**	2,468,311
Capital and reserves			
Share capital	13	**41,254**	41,254
Share premium		**1,283,520**	1,283,520
Contributed surplus		**511,000**	511,000
Translation reserve		**21**	182
Other reserves		**94**	94
Accumulated profits		**469,518**	632,261
		2,305,407	2,468,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2003
(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Translation reserve $'000	Other reserves $'000	Accumulated profits $'000	Total $'000
(Unaudited)							
Balance at 1 January 2002	41,272	1,283,809	511,000	–	64	628,492	2,464,637
Exchange differences	–	–	–	228	–	–	228
Dividends paid	–	–	–	–	–	(20,636)	(20,636)
Net profit for the period	–	–	–	–	–	30,632	30,632
Balance at 30 June 2002	41,272	1,283,809	511,000	228	64	638,488	2,474,861
(Unaudited)							
Balance at 1 January 2003	41,254	1,283,520	511,000	182	94	632,261	2,468,311
Exchange differences	–	–	–	(161)	–	–	(161)
Net loss for the period	–	–	–	–	–	(162,743)	(162,743)
Balance at 30 June 2003	**41,254**	**1,283,520**	**511,000**	**21**	**94**	**469,518**	**2,305,407**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2003	2002
	$'000	$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**56,587**	74,540
Net cash used in investing activities	**(504,787)**	(485,523)
Net cash used in financing activities	**(33,858)**	(50,785)
Net decrease in cash and cash equivalents	**(482,058)**	(461,768)
Cash and cash equivalents at 1 January	**826,257**	1,619,686
Effect of foreign exchange rates changes	**–**	162
Cash and cash equivalents at 30 June	**344,199**	1,158,080
Analysis of the balances of cash and cash equivalents		
Deposits with banks and other financial institutions	**337,687**	1,102,228
Cash at bank and in hand	**6,512**	55,852
	344,199	1,158,080

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

This interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the HKSA. KPMG's independent review report to the Board of Directors is included on page 22.

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2002 are available from the Company's registered office. The former auditors of the Company, Deloitte Touche Tohmatsu, have expressed an unqualified opinion on those accounts in their report dated 7 April 2003. Deloitte Touche Tohmatsu resigned on 15 July 2003 and KPMG was appointed by the Board of Directors to fill the vacancy in the office of the auditors created by such resignation on the same date.

2. PRINCIPAL ACCOUNTING POLICIES

The same accounting policies adopted in the 2002 annual accounts have been applied to the interim financial report except that the Group have adopted Statement of Standard Accounting Practice 12 (revised) "Income taxes" issued by the HKSA which became effective for accounting periods commencing on or after 1 January 2003. The adoption of Statement of Standard Accounting Practice 12 (revised) has no material effect on the Group's results for the current or prior accounting period.

3. SEGMENTAL INFORMATION

The Group has only 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:

	Group turnover Six months ended 30 June		Contribution to profit from operations Six months ended 30 June	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Hong Kong	**17,794**	24,739	**1,116**	6,217
Other regions in the People's Republic of China	**112,116**	125,174	**7,036**	31,455
Others	**21,351**	26,731	**1,340**	6,717
	151,261	176,644	**9,492**	44,389
Write-back of provision on regulatory matters			**–**	23,400
Other operating income			**5,026**	15,586
Impairment loss on fixed assets			**(92,438)**	–
Unallocated corporate expenses			**(31,584)**	(31,394)
(Loss)/profit from operations			**(109,504)**	51,981

4. WRITE-BACK OF PROVISION ON REGULATORY MATTERS

This represented the adjustment of a provision made in 2000 for the estimated cost of retrofitting the dishes of potential affected customers of APSTAR IIR 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.

5. IMPAIRMENT LOSS ON FIXED ASSETS

The Group has reviewed the carrying value of APSTAR I and APSTAR IA at 30 June 2003. Based on the estimated recoverable value of these assets, an impairment loss of $92,438,000 has been made during the six months ended 30 June 2003.

6. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging:

	Six months ended 30 June	
	2003	2002
	$'000	$'000
Amortisation of goodwill	**–**	110
Depreciation	**123,483**	110,652
Net loss on sale of fixed assets	**1**	–

7. TAXATION

	Six months ended 30 June	
	2003	2002
	$'000	$'000
Hong Kong taxation	**4,918**	3,719
Overseas taxation	**10,072**	11,425
Deferred taxation	**(15,612)**	1,825
	(622)	16,969

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the six months ended 30 June 2003. Overseas taxation is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

8. DIVIDENDS

On 26 June 2002, a dividend of $0.05 per share was paid to shareholders as the final dividend for 2001.

In line with the need of Group's future development, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2003 (2002: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to shareholders of $(162,743,000) (2002: $30,632,000) and the weighted average of 412,535,000 ordinary shares (2002: 412,720,000 shares) in issue during the six months ended 30 June 2003.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to ordinary shareholders of $(162,743,000) (2002: $30,632,000) and the weighted average number of ordinary shares of 412,535,000 shares (2002: 414,092,000 shares) after adjusting for the effects of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2003	2002
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	**412,535**	412,720
Deemed issue of ordinary shares for no consideration	**–**	1,372
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	**412,535**	414,092

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group has acquired property, plant and equipment amounting to $514,101,000 (2002: $534,467,000).

Included in property, plant and equipment was the cost of APSTAR V in the amount of $945,064,000 which will be delivered and launched in late 2003. Space Systems/Loral, Inc. is the manufacturer of APSTAR V and it has filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code on 15 July 2003. Based on information available up to the date of this report, the Directors of the Group have no reason to believe that APSTAR V cannot be delivered in accordance with the schedule.

11. TRADE RECEIVABLES

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:

	At 30 June 2003	At 31 December 2002
	$'000	$'000
0 – 30 days	**8,530**	9,735
31 – 60 days	**1,658**	4,550
61 – 90 days	**18,669**	4,150
91 – 120 days	**2,631**	546
More than 120 days	**18,275**	5,000
	49,763	23,981

12. BANK BORROWINGS

During the current period, the Group repaid bank loans of approximately $33,858,000 (2002: $30,149,000).

13. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

14. CONTINGENT LIABILITIES

(i) 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 onwards, 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 onwards 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 onwards 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 $75,864,000.

(ii) The Company has given a guarantee to banks in respect of a secured term loan facility granted to its subsidiary. The extent of such facility utilised by the subsidiary at 30 June 2003 amounted to $163,800,000 (at 31 December 2002: $163,800,000).

(iii) The Hong Kong Profits Tax returns of a subsidiary of the Company for the years of assessment 1999/2000 and 2000/2001 are currently under dispute with the Hong Kong Inland Revenue Department ("IRD"). This subsidiary recognised a gain of $389,744,000 in 1999 in relation to the transfer of substantially all of the satellite transponder capacities of APSTAR IIR for the rest of its useful life. This subsidiary has claimed the gain as a non-taxable capital gain in its 1999/2000 Profits Tax return. The non-taxable claim is under review by the IRD which at the same time has proposed to treat the proceeds received as taxable income to this subsidiary with a corresponding entitlement to statutory depreciation allowances in respect of APSTAR IIR.

Having taken into consideration independent professional advice, the Company believes it has a reasonable likelihood of success in defending its position that the gain derived from the abovementioned transaction should be treated as non-taxable. Accordingly, no provision for the deferred taxation that may arise in the event that the Company is unsuccessful, estimated at $57,000,000, has been recognised in the financial statements.

15. CAPITAL COMMITMENTS

At 30 June 2003, the Group has the following outstanding capital commitments not provided for in the Group's accounts, mainly in respect of the procurement and launch of new satellites, APSTAR V and APSTAR VI:

	At 30 June 2003 $'000	At 31 December 2002 $'000
Contracted for	**1,078,613**	1,095,129
Authorised but not contracted for	**372,860**	868,997
	1,451,473	1,964,126

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

	At 30 June 2003 $'000	At 31 December 2002 $'000
Contracted but not provided for in the financial statements	**–**	69,407

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2003 $'000	2002 $'000
Income from leasing of transponders to certain shareholders of the Company *(note (i))*	**17,352**	17,699
Income from leasing of transponders to a holding company of a shareholder of the Company *(note (i))*	**8,385**	9,750
Income from leasing of transponders to a jointly controlled entity *(note (i))*	**4,213**	4,268
Service fee in connection with the satellite project to a fellow subsidiary of a shareholder of the Company *(note (ii))*	**70,083**	3,120
Facilities management services income from a jointly controlled entity *(note (iii))*	**2,187**	3,769

In addition, at 30 June 2003, the Group had an outstanding commitment to pay launch service fee to a fellow subsidiary of a shareholder of the Company amounting to $247,767,000 (at 31 December 2002: $317,850,000).

Notes:

(i) The terms and conditions of these transponder lease agreements are similar to those contracted with other customers of the Group.

(ii) 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.

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

17. MATERIAL POST BALANCE SHEET EVENTS

(i) In view of the continuous downturn in the telecommunication market, especially the submarine cable business, the directors of APT Satellite Telecommunications Limited ("APT Telecom"), a jointly controlled entity, decided to reorganise the business of APT Telecom by transferring the Fixed Carrier Business to the Group for a cash consideration of $6,800,000 and transferring the Cable Interests related to the Fixed Telecommunication Network Services Licence to other shareholder of APT Telecom for a cash consideration of $5,560,000. Upon the completion of the reorganisation, APT Telecom will continue to operate the Telepark Data Center. Details of the deal had been set out in a press announcement on 10 September 2003.

(ii) On 26 August 2003, a wholly owned subsidiary of the group ("the Subsidiary") has entered into a Satellite Procurement Amendment Agreement, a Satellite Transponder Agreement and a Satellite Agreement ("the Agreements") which each make provision in relation to Space System/Loral, Inc. ("the Contractor") being unable to obtain United States Government export licenses for the transfer of title of APSTAR V to the Subsidiary. Under the Agreements, title of APSTAR V will be transferred to Loral Orion, Inc. ("Loral Orion") upon intentional ignition rather than the Subsidiary and simultaneously therewith the Subsidiary will have an irrevocable lease of forty-one and one-half (41 and 1/2) transponders for the lease term commencing upon transfer of title from the Contractor to Loral Orion until the end of operational life of APSTAR V. Under the Satellite Agreement, the Subsidiary will release the leasehold interest of twelve and one-half (12 and 1/2) transponders to Loral Orion in stages over a 5 year period from the in-service date of APSTAR V subject to payment of installments ranging from approximately US$6,800,000 to approximately US$18,130,000. This will result in the Subsidiary having 29 transponders. The total cost for joint acquisition of APSTAR V are still estimated to be approximately US$115,000,000 for each of the Subsidiary and Loral Orion. Details of the deal had been set out in a press announcement on 28 August 2003 and in a circular to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's three in-orbit satellites, together with their corresponding telemetry, tracking and control systems, have been operating well. The external economic environment remained sluggish in the first half of 2003, leading to a weakened demand for transponders in the Asia Pacific region while competition grew increasingly intense. This situation was coupled with the current transitional phases of APSTAR I and APSTAR IA and the changes of some current customers with new customers, the utilization rates were subject to downward pressure. For the period ended 30 June 2003, the utilization rates of APSTAR I, APSTAR IA and APSTAR IIR were 47.1%, 56.3% and 100% respectively.

APSTAR V

Construction of APSTAR V commissioned by APT Satellite Company Limited ("APT") under the Group was completed. APSTAR V is equipped with 38 C-band and 16 Ku-band transponders. Pre-shipment review inspection was carried out at the beginning of August. Once the satellite is delivered, it will be launched by Sea Launch Limited Partnership in November 2003.

On 20 September 2002, APT entered into 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 at an amount of approximately US$115,000,000 so as to reduce investment and market risks of the project. Details of the transaction had been set out in a circular dated 7 October 2002 to the shareholders.

To this date, the satellite supplier, Space System/Loral Inc. ("SS/L"), has yet to obtain the United States Government export licence for transferring the title of APSTAR V to APT. In order to minimize any further delay in the launch of APSTAR V, APT had entered into agreements on 26 August 2003 with SS/L and Loral Orion for leasing the satellite transponders to the effect that APT would be able to utilize the transponders through this irrevocable leasehold arrangement. Details of the transactions had been set out in a press announcement dated 28 August 2003 and in a circular to the shareholders. The Board of Directors is of the view that the launch of APSTAR V should not be delayed by the export licence. The leasing arrangement will ensure that the satellite will be launched as scheduled to replace APSTAR I and commence service to meet customers' demand and strengthen the market competitiveness of APT.

Loral Orion has committed that it would continue to pursue for the necessary export licence for title transfer of APSTAR V. Upon issue of the licence, title to APSTAR V will be transferred to APT automatically.

At the same time, SS/L had filed for a voluntary petition under Chapter 11 of the United States Bankruptcy Code on 15 July 2003 as a means to ensure its fulfillment of a transaction with its customers. According to information at present, the Board has no reason to believe that the delivery of APSTAR V would be affected as a result of this bankruptcy protection that the satellite would not be delivered as scheduled. The Group will monitor closely the development of the situation and will take appropriate action when required to protect the interest of APT.

APSTAR VI

Progress of the APSTAR VI project is smooth and on schedule. The Critical Design Review of the satellite, Telemetry, Tracking and Control System and Baseband System were completed in early July 2003. Construction of the satellite was also proceeding as planned.

The implementation of the launch service contract of APSTAR VI is on course, while the progress of the construction of Long March 3B launch vehicle was on schedule. The satellite supplier has conducted a number of discussions on the technology related to the interface between satellite and launch vehicle, as well as the joint operation arrangement relating to the satellite and the launch vehicle at the launch site. Preparation for the launch has been in active progress.

SATELLITE TV BROADCASTING PLATFORM

APT Satellite TV Development Limited ("APT TV") of the Company was in the course of establishing a satellite TV uplink and broadcasting service business. At present, APT TV's programme-transmission capacity had reached 18 channels, fully capable to accommodate future demand for satellite TV broadcasting. Furthermore, APT TV has established an associate company with Eurosport, Societe Anonyme, a European sports news channel. The associate company obtained approval for limited broadcasting in China and the broadcasting had been commenced.

TELECOMMUNICATIONS SERVICES

The telecommunications sector continued to be depressed while the supply of cable-based telecommunication services far exceeded demand. In the short term, any improvement in this business sector would seem unlikely. The telecommunications business of APT Satellite Telecommunications Limited ("APT Telecom"), a jointly controlled entity owned as to 55% by a wholly owned subsidiary of the Group and 45% by SingaSat Private Limited, was reorganised, pursuant to an agreement entered between APT Telecom and both shareholders on 10 September 2003.

Pursuant to the reorganisation, APT Telecom would transfer the cable network services business and related assets to the group of Singapore Telecommunications Limited ("SingTel Group"), while the non-cable-based business such as VSAT, wholesale voice services, as well as the related telecommunications licences, would be transferred to the Group. After the reorganisation, APT Telecom will only hold the property and assets located in the Telepark in the Science Park in Tai Po to continue operating the Group's telecommunications services. Details of the reorganisation have been set out in a press announcement on 10 September 2003. An impairment loss of approximately HK$89,018,000 was made in the financial report for the first half of this year for the fixed assets of APT Telecom, including cables, non-cable-based telecommunications equipment and property, out of which an amount of approximately HK$48,960,000 was attributed to the Group.

IMPAIRMENT ON FIXED ASSETS

To streamline the Group's asset holdings and on the principle of prudent financial management, an impairment loss on fixed assets of approximately HK$92,438,000 was made for APSTAR I and APSTAR IA in the financial report for the first half of this year. Pursuant to the necessary provision in respect of assets impairment, the Group has strengthened its financial position and is fully prepared for any future development opportunities.

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.

As at 30 June 2003, the Group has approximately HK$344,199,000 (31 December 2002: HK$826,257,000) 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$1,872,000,000 (US$240,000,000), the Group could cope with the needs to invest in future satellite and new telecommunications projects for further business development.

Within the period, the Group's capital expenditure incurred by APSTAR V and APSTAR VI amounted to HK$510,240,000 (30 June 2002: HK$533,767,000) that was paid by internally generated cash flow and bank loans.

As at 30 June 2003, the Group's total liabilities was approximately HK$823,017,000 (31 December 2002: HK$864,220,000), among which a bank loan of HK$283,824,000 (31 December 2002: HK$317,682,000) was secured by a time deposit of an equivalent sum and deposit interest rate at a fixed rate of 12% per annum. The Group has used part of the Loan Facilities that amounted to HK$163,800,000 (31 December 2002: HK$163,800,000). Interest was computed on the London inter-bank offering 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. The Group has also pledged certain properties with aggregate net book value of approximately HK$5,062,000 (31 December 2002: HK$5,120,000) for certain banking facilities. During the period, the Group had no additional drawdown of Loan Facilities, the Group's gearing ratio (total liabilities/total assets) maintained at 26% (31 December 2002: 26%).

For the period ended 30 June 2003, 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 rate, the Group would take appropriate measure in due course to hedge against interest rate fluctuation.

As at 30 June 2003, the Group's share of loss of jointly controlled entities was HK$54,345,000 (30 June 2002: HK$5,074,000). The cable-based telecommunications business of APT Telecom has been affected by continuous downturn in the telecommunication market. The directors of APT Telecom decided to reorganise the business. Details of the reorganisation please refer to note 17 of this report.

Details of contingent liabilities please refer to note 14 of this report.

BUSINESS PROSPECTS

Looking ahead to the second half of 2003, it is anticipated that the broadcasting and telecommunications businesses in the Asia-Pacific region will remain sluggish and competition will remain strong. However, upon the successful launch of APSTAR V to replace APSTAR I, the Group is set to enhance its competitive edge in the market.

DEVELOPMENT OF APSTAR V AND APSTAR VI

Launch of APSTAR V is scheduled to take place in November 2003 to replace APSTAR I. The Group will closely monitor the process to ensure that the launch and replacement of the satellites would be conducted safely. Risks related to the launch will be strictly controlled to the minimum to safeguard the Group's investment and business. Upon the successful launch of APSTAR V, the Group will ensure a smooth transfer for existing customers of APSTAR I to the new satellite. The construction of APSTAR VI will also be closely monitored to ensure that the planned replacement of APSTAR IA will be on course.

As APSTAR V will be in service in the near future, the Group will leverage on the capacity of its transponders to expand the scope of satellite-related businesses to boost enterprise value.

Following to the significant provision made by the Group in respect of the asset impairment, the capital structure of the Group has been streamlined and rationalized. This will help improve the room for future expansion and a better rate of return laying a solid foundation for future overall strategic development of the Group.

Notwithstanding that there are signs of recovery in the economy in the Asia Pacific region, there are still many uncertainties and the coming six months to one year will be full of challenges. Confronting a harsh operating environment, the Group will endeavour to consolidate its core business and further develop new satellite-related businesses prudently as a means to enhance the Group's growth and value.

HUMAN RESOURCES

As at 30 June 2003, the Group had 139 employees. The Group remunerates its employees in accordance with their respective responsibilities and the current market trends. On 19 June 2001, the Company first granted the share options under the share option scheme adopted at the annual general meeting of 22 May 2001 (the "Scheme 2001") to its employees including executive directors. In compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange Hong Kong Limited (the "Stock Exchange"), the Company adopted a new share option scheme (the "Scheme 2002") which was passed at the annual general meeting of 22 May 2002. The share options granted on 19 June 2001 in accordance with the Scheme 2001 remain valid.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2003, according to the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"), the following companies are directly and indirectly interested in 5 per cent or more of the issued share capital of the Company:

Name	Note	**Number of shares interested**	**% of issued share capital**
APT Satellite International Company Limited		214,200,000	51.92
China Aerospace Science & Technology Corporation	1	37,200,000	9.02
China Aerospace International Holdings Limited	1	31,200,000	7.56
Sinolike Investments Limited	1	31,200,000	7.56
Temasek Holdings (Private) Limited	2	22,800,000	5.53
Singapore Telecommunications Limited	2	22,800,000	5.53
Singasat Private Limited	2	22,800,000	5.53

Note:

1. China Aerospace Science & Technology Corporation was deemed to be interested in the shares of the Company by virtue of its 41.86% shareholding in China Aerospace International Holdings Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 shares of the Company.

2. Temasek Holdings (Private) Limited was deemed to be interested in the shares of the Company by virtue of its 67.16% shareholding in Singapore Telecommunications Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Singasat Private Limited.

Save as disclosed above, as at 30 June 2003, no other party has an interest or a short position in the issued share capital of the Company, as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2003, the interests of each director and the chief executive of the Company are interested, or are deemed to be interested in the long and short positions in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO are as follows:

Name of Directors and chief executives	Nature of interests	Number of shares held	Number of share options [(1)]
Chen Zhaobin *(Executive Director & President)*	Personal	–	2,200,000
Cui Xinzheng *(Executive Director & Vice President)*	Personal	–	1,200,000
Lo Kin Hang, Brian *(Vice President & Company Secretary)*	Personal	5,000	800,000

(1) The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share 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.

Save as disclosed above, as at 30 June 2003, none of the directors or the chief executive of the Company had or was interested, or were deemed to be interested in the long and short positions in the shares and underlying shares of the Company nor any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or which are required to be notified to the company and the Stock Exchange pursuant to Part XV of the SFO and the Model Code for Securities Transaction by Directors of Listed Companies respectively.

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 period from 1 January 2003 to 30 June 2003, 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.

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 (including cancelled share options 3,900,000), 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 30 June 2003, the shares of the Company in issue was 412,535,000 shares.

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 2003	Options cancelled during the period	Options outstanding as at 30 June 2003
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	1,500,000	4,200,000
Employees in aggregate:			
Employees under continuous employment contracts	13,410,000	2,660,000	10,750,000

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has compiled with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the period covered by the interim 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.

AUDIT COMMITTEE

The unaudited Interim Financial Report of the Group for the six months ended 30 June 2003 had been reviewed by the Company's audit committee in the meeting on 1 September 2003. The audit committee comprised of two independent non-executive directors including Mr. Yuen Pak Yiu, Philip and Mr. Huan Guocang.

APPRECIATION

On behalf of the Board, I would like to offer my sincere thanks to all our staff for their hardworking and commitment contributed to the Group.

Liu Ji Yuan
Chairman

Zhuhai, PRC, 10 September 2003

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

KPMG

Certified Public Accountants

Hong Kong, 10 September 2003

SUPPLEMENTARY INFORMATION FOR ADS HOLDERS

The above unaudited financial information has been prepared in accordance with the generally accepted accounting principles applicable in Hong Kong ("HK GAAP"), which differ in certain significant respects from those applicable in the United States ("US GAAP"). The significant differences between HK GAAP and US GAAP that affect the Group's results for the six months ended 30 June 2003 and shareholders' equity at 30 June 2003 are substantially the same as those disclosed in the Company's 2002 annual report. The effect of the significant differences between HK GAAP and US GAAP on the Group's unaudited consolidated net loss for the six months ended 30 June 2003 and shareholders' equity at 30 June 2003 are set out below. The US GAAP adjustments shown below have been prepared by management and have not been subject to independent audit.

	Six months ended 30 June		
	2003	**2003**	2002
	US$'000	**HK$'000**	HK$'000
Net (loss)/profit under HK GAAP	**(20,864)**	**(162,743)**	30,632
Adjustments:			
– Recognition of revenue	**–**	**–**	(3,697)
– Investment property	**(5)**	**(42)**	(42)
– Stock option compensation	**(90)**	**(701)**	(3,751)
– Amortisation of goodwill	**–**	**–**	110
– Deferred tax effects of US GAAP adjustments	**–**	**–**	591
Approximate net (loss)/profit under US GAAP	**(20,959)**	**(163,486)**	23,843
Approximate basic net (loss)/profit per share in accordance with US GAAP	**US$(5.08) cents**	**HK$(39.63) cents**	HK$5.78 cents
Approximate diluted net (loss)/profit per share in accordance with US GAAP	**US$(5.08) cents**	**HK$(39.63) cents**	HK$5.76 cents
Approximate basic net (loss)/profit per ADS in accordance with US GAAP *	**US$(40.65) cents**	**HK$(317.04) cents**	HK$46.22 cents
Approximate diluted net (loss)/profit per ADS in accordance with US GAAP *	**US$(40.65) cents**	**HK$(317.04) cents**	HK$46.06 cents

* Based on a ratio of 8 ordinary shares of the Company to one American depositary share ("ADS").

SUPPLEMENTARY INFORMATION FOR ADS HOLDERS (continued)

	At 30 June		
	2003	**2003**	2002
	US$'000	**HK$'000**	HK$'000
Shareholders' equity under HK GAAP	**295,565**	**2,305,407**	2,474,861
Adjustments:			
– Investment property	**42**	**326**	339
– Amortisation of goodwill	**–**	**–**	110
Shareholders' equity under US GAAP	**295,607**	**2,305,733**	2,475,310

Solely for the convenience of the reader, amounts in Hong Kong dollars included in this Interim Report have been translated into United States dollars at the rate of 7.8. No representation is made that the Hong Kong dollars amounts could have been, or could be, converted into United States dollars at that rate or at any other rate on 30 June 2003 or on any other date.