APT Satellite Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report
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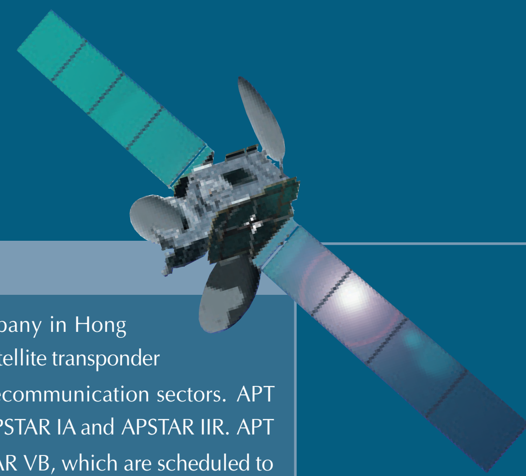


COMPANY PROFILE

APT SATELLITE HOLDINGS LIMITED (APT Group) is a listed company in Hong Kong and New York Stock Exchange. It provides high quality services in satellite transponder leasing, broadcasting and telecommunication for broadcasting and telecommunication sectors. APT Group operates three in-orbit geostationary satellites namely APSTAR I, APSTAR IA and APSTAR IIR. APT Group has commissioned two high power satellites, APSTAR V and APSTAR VB, which are scheduled to be delivered in the third quarter of 2003 and in July 2004 respectively.

APT Group has re-formulated its corporate strategies to strengthen the growth momentum of the Group and to broaden its position in the value-chain to further improve its performance. Under these strategies and directions, APT Group endeavours to:

- continue to provide excellent services to our customers by strengthening our satellite capabilities with future satellite plans on APSTAR V and APSTAR VI;
- further regionalize our transponder leasing business and leverage the growth via Internet backbone services;
- leverage the broadcasting licence and uplinking capability and to establish a hot-bird satellite with a broadcasting platform;
- provide external telecom services under the telecom licences for business expansions;
- expand on the value-chain position by moving towards end-users with new satellite-related businesses; and
- search for high growth business opportunities by forming strategic partnerships, alliances, joint ventures or consolidation in satellite-related sectors.

APSTAR SYSTEMS

Satellites	Model	Orbital Slots	TRANSPONDERS			
			C-Band		Ku-Band	
			Number	Coverage	Number	Coverage
APSTAR-VB	Alcatel SB-4000	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	16	China (including Hong Kong, Macau and Taiwan), Southeast Asia and Australia
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	Hughes HS-376	134°E	24	China, Japan, Southeast Asia, and India	–	–
APSTAR-I	Hughes HS-376	138°E	24	China, Japan, Southeast Asia	–	–

CONTENTS

DIRECTORS

Executive directors

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

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

Non-executive directors

Liu Ji Yuan *(Chairman)*

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

Zhou Ze He *(Vice Chairman)*

Wong Hung Khim

Lim Toon

Hsu Chih Chang

Wu Zhen Mu

Lu Xiaochun

Wu Jinfeng
(appointed on 10 February 2001)

Lim Shyong
(appointed on 21 March 2001)

Tay Chek Khoon
(appointed on 21 March 2001)

Yang Tze-kaing
(appointed on 21 March 2001)

Loh Yim Kew
(resigned as a director and appointed as alternate director to Lim Shyong on 21 March 2001)

Lim Bee Ling
(resigned as a director and appointed as alternate director to Tay Chek Khoon on 21 March 2001)

Chen Ji Bin
(resigned on 10 February 2001)

Lee Hsiang Wei
(resigned on 21 March 2001)

Independent Non-executive Directors

Li Kwok Wing, Meocre

Yuen Pak Yiu, Philip

COMPANY SECRETARY

Lo Kin Hang, Brian

AUTHORISED REPRESENTATIVES

Chen Zhaobin

Lo Kin Hang, Brian

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Credit Lyonnais

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Baker & McKenzie

Preston Gates & Ellis LLP

Yung, Yu, Yuen & Co.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor Hutchison House
10 Harcourt Road
Hong Kong

ADR DEPOSITARY

The Bank of New York
Depositary Receipt Division
620 Avenue of the Americas
6th Floor
New York, New York 10011
USA

REGISTERED OFFICE

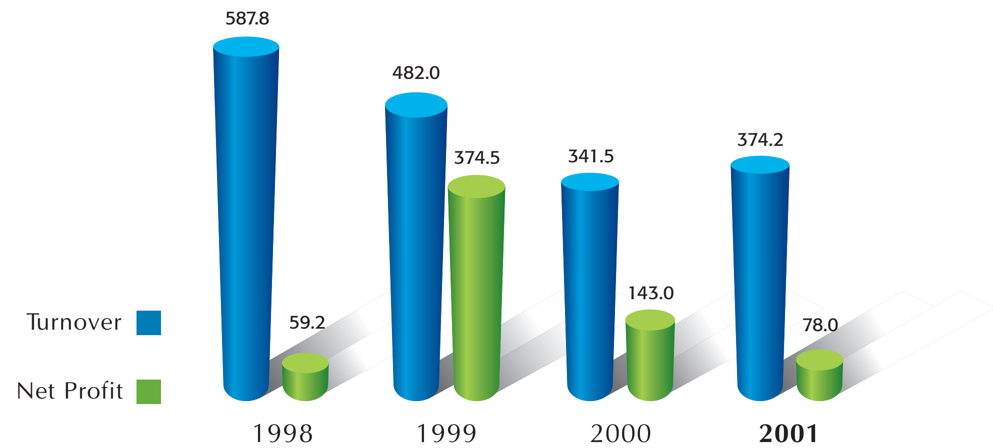
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

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)

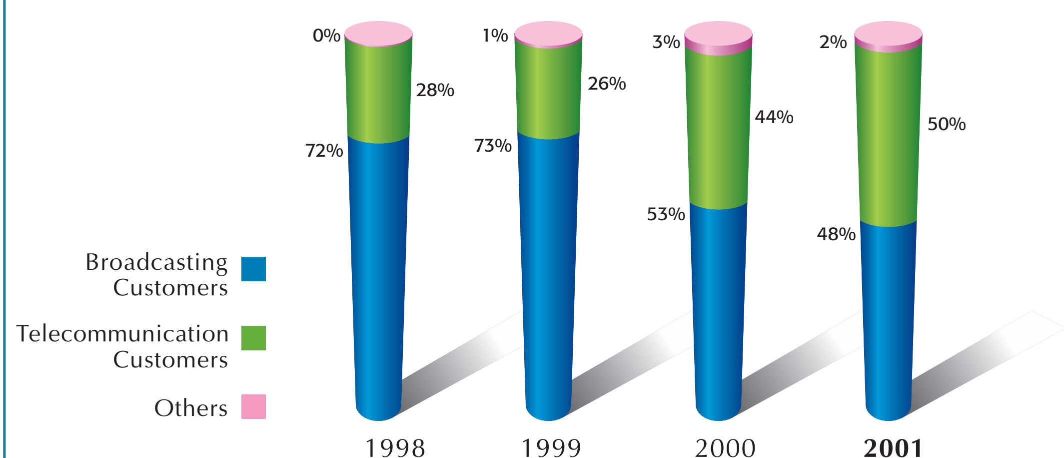
TURNOVER & NET PROFIT

(HK$ Million)



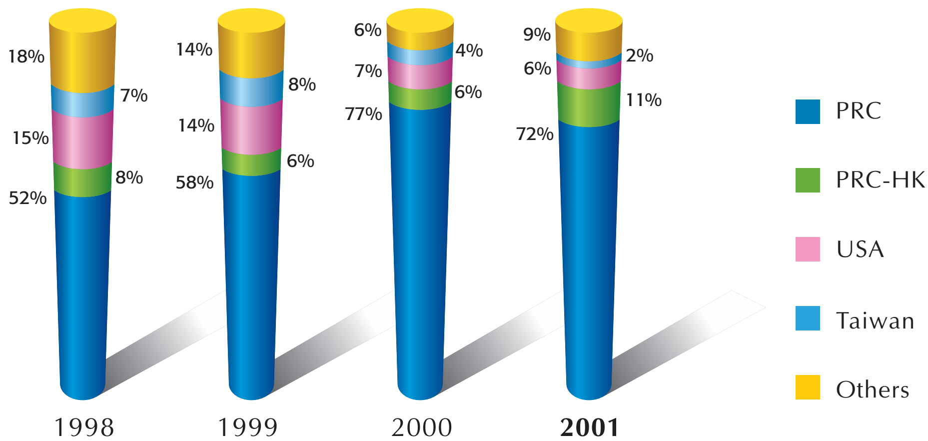
TURNOVER BREAKDOWN BY BUSINESS

(Percentage)

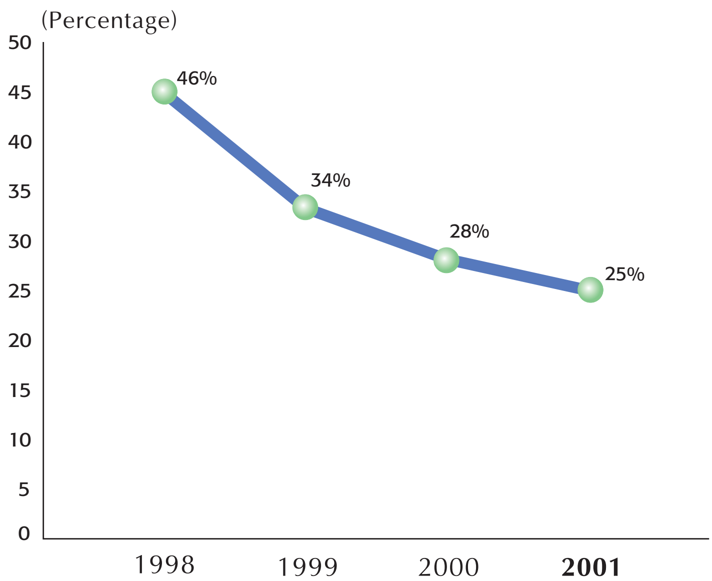


TURNOVER BREAKDOWN BY REGION

(Percentage)



TOTAL LIABILITIES TO TOTAL ASSETS RATIO



Mr. Liu Ji Yuan
Chairman

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 2001, which had been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESULTS

For the financial year ended 31 December 2001, the Group's turnover and net profit for the year were HK$374,158,000 (2000: HK$341,496,000) and HK$78,009,000 (2000: HK$142,996,000) respectively. Basic earnings per share was HK18.90 cents (2000: HK34.26 cents).

DIVIDENDS

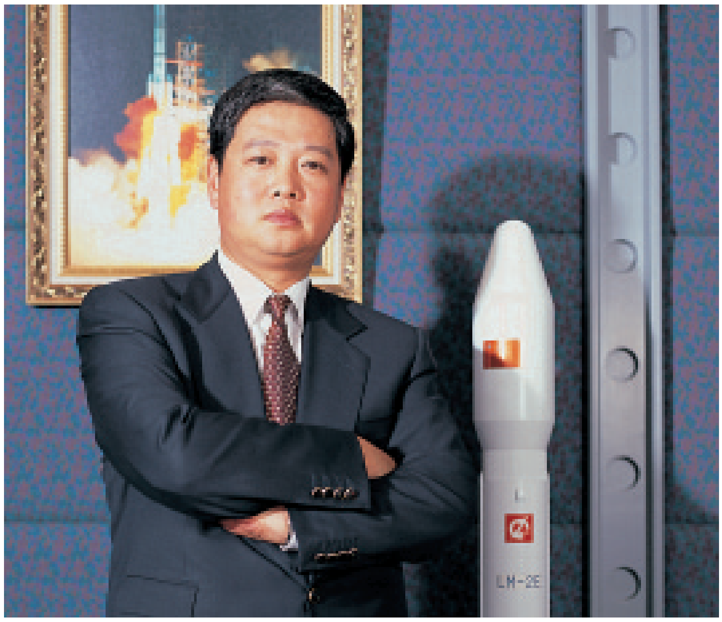
In view of the profit recorded by the Group for the financial year 2001 and the Group's future business developments, the Board recommends the payment of a final dividend of HK5 cents per share (2000: HK15 cents per share), which amounts to HK$20,636,000. Whilst no interim dividend was paid for the year 2001 (2000: HK5 cents), the total amount of dividend to be paid for the whole year is HK5 cents per share (2000: HK20 cents per share). This recommendation is subject to shareholders' approval at the Company's Annual General Meeting to be held on Wednesday, 22 May 2002. Upon approval, the payment of the final dividend shall be made on Wednesday, 26 June 2002 to shareholders recorded in the Company's Register of Members on 22 May 2002.

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 utilization rates of the APSTAR I, APSTAR IA and APSTAR IIR were 59.0%, 66.3% and 100% respectively, which were almost the same as the rates at the end of 2000.

Mr. Chen Zhaobin
Executive Director and President



Business Environment

The downturn of worldwide economy during the second half of the year had hammered the broadcasting and telecommunication sectors in the Asia Pacific region. The demand for transponders in the region, including the PRC, had weakened. The market competition became more fierce compared with the first half of the year, thereby exerting a downward pressure on the rental rate of transponders.

APSTAR V

The supplier of APSTAR V (the replacement satellite for APSTAR I), Space System/Loral, Inc. ("SS/L"), has commenced the construction process of APSTAR V in full scale in July 2001. In mid of November 2001, SS/L received the approval for the construction of APSTAR V from the United States government. The Company will keep on monitoring the progress of the construction to ensure the delivery of APSTAR V as scheduled. The construction of the satellite has been running smoothly. It is scheduled to be launched in the third quarter of 2003.

Procurement Agreement for APSTAR VB

To ensure the timely replacement of APSTAR I in the second half of 2004, APT Satellite Company Limited ("APT"), a wholly-owned subsidiary of the Company, signed a procurement agreement for APSTAR VB with Alcatel Space Industries ("Alcatel") on 11 December 2001. APSTAR VB, a high power satellite modelled on a SB4000 satellite, will comprise 38 C-band and 12 Ku-band transponders. Alcatel is responsible for the design, construction, testing, delivery of the satellite. It will also provide a satellite control center, launch support services, in-orbit testing, on-site support for the early stages of the satellite's operation, training for satellite performance measurement and control operations as well as online support throughout the satellite's commission life.

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

The delivery of APSTAR VB is scheduled in July 2004. This satellite will serve as a backup to APSTAR V in the event of any delay in the delivery and launch of the latter. If APSTAR V is delivered on schedule and successfully launched into its designated orbital slot, it will replace APSTAR IA, which is due to expire at the end of 2006. The procurement of APSTAR V and APSTAR VB is pivotal to the future development of the Group's satellite broadcasting and telecommunications services.

Development of APSTAR VB

APT and Alcatel had held a "kick off" meeting at the end of January this year for detailed discussion on the rolling out preparations for APSTAR VB project. Project progress to date has been smooth. In March 2002, Alcatel informed APT that they had received unconditional approval from the French government for the delivery of the French-made satellite to the PRC for launching on board of the LM-3B launch vehicle.

Satellite TV Broadcasting Platform

In line with the change of corporate strategies last year and under its satellite TV broadcasting licence, the Company's wholly-owned subsidiary namely APT Satellite Glory Limited is establishing a satellite television broadcasting platform. As a result, five satellite TV channels have been set up. The Group has increased its investment in uplinks and downlinks, and satellite TV programme transmission and broadcasting facilities, amounting to US$2.75 million. In this year, the Company's programme transmission capacity will increase to 18 channels, which will meet future demand for satellite TV services and will strengthen the capacity of the Company's satellite TV service platform. In March 2002, the approval was obtained to rename "APT Satellite Glory Limited" to "APT Satellite TV Development Limited" ("APT TV") so as to better reflect the future development of its satellite TV broadcasting business.

On 15 March 2002, APT TV signed a memorandum of understanding with Eurosport News, under which both parties agreed to initiate a joint venture based on their respective strengths to provide satellite TV broadcasting services to 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

To prepare for the control and operation of APSTAR V and VB, and at the same time to provide satellite broadcasting and telecommunications services, the Company started the construction of its Satellite Control Centre Phase II last year. It was completed in February this year and commenced commercial operations immediately. The total floor area of the Satellite Control Centre Phase II is approximately 58,000 sq.ft., in which a data centre of 14,700 sq.ft. has started commercial operation and is generating revenue. At the same time, the Company is in the course of installing satellite TV broadcasting facilities in the centre for the development of its satellite TV broadcasting platform.

External Telecommunications Services

APT Satellite Telecommunications Limited ("APT Telecom"), the Company's jointly controlled entity, has been granted a cable-based and satellite-based external telecommunications network services licence. It is actively rolling out external telecommunications services. APT Telecom is now in full gear in its construction of an integrated telepark (the "Telepark") adjacent to the Group's satellite control centre. The Telepark is scheduled to operate by mid-2003, so as to further expand the Group's telecommunications business.

Corporate Strategy and Prospects

To maintain growth and expansion and to effectively face future challenge, the Group has decided to re-formulate its future development strategies after taking into consideration the consultant's advice. The new development strategies are as follows:

(1) Based on its existing core business, the Group will expand its scope of business and particularly move towards the end users in an effort to increase its corporate value.

APT commissioned APSTAR V in January 2001 to boost the Group's high quality and reliable broadcasting and telecommunications services. APSTAR V is scheduled to launch in the third quarter of 2003.

APT has a very strong foothold in the China market. APT signed a satellite transponder lease agreement with China Central Television (CCTV) in August 2001.

The Group is now actively seeking opportunities for partnership based on the satellite network business.

(2) The Group will make more effective use of its current broadcasting service licence to provide satellite TV broadcasting services and to establish its satellite TV broadcasting platform so as to raise the utilization of its transponders and make it a "hot-bird".

(3) The Group will engage in telecommunications services through APT Telecom. It will provide its customers with various kinds of advanced and reliable telecommunications services through satellite-based and cable-based external telecommunications services, including Internet backbone network, Internet point-of-present (POP) gateways, VSAT, broadband data services, multimedia services, facilities management and data centre.

(4) Through the promotion of satellite TV broadcasting services and external telecommunications services, the Group will further regionalize its services, expand the Group's customer base and raise its satellite utilization rate.

(5) The Group will further study, analyse, and promote the consolidation of the satellite industry in the Asia Pacific region with a view to raise its asset value and market competitiveness.

After full preparation in the second half of last year, the Group has initially completed the re-alignment of its corporate development strategies to cope with future business needs, such as investment in the construction of the Telepark, setting up of Business Development Department for the promotion of new business, and the expansion of its broadcasting service platform facilities.

Business prospects

It is expected that the worldwide economy will not significantly rebound in the coming year. It is therefore foreseeable that the overall development of broadcasting and telecommunications businesses will remain stagnant, and market competition will be more intensive resulting in the compression of profit margin. The coming year will still be very challenging.

Development of APSTAR V and APSTAR VB

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

Business development

Under its new corporate strategies and marketing positioning, the Group will consolidate its existing core business and will actively expand new satellite-related business. In addition, through the construction of its satellite broadcasting platform and its newly-established telecommunications business, the Group will strengthen its customer base and expand its market coverage to boost its revenue.

SOUND FINANCIAL CONDITION

The Group adopts a prudent financial policy to ensure that it can meet with the financial obligations for the repayment of indebtedness as well as the commitment in funding APSTAR V and APSTAR VB projects.

The Group's financial structure remains strong with sufficient internal resources and appropriate gearing, enabling it to cope with the future investment needs in respect of satellite and telecommunication projects. At the end of last year, the Group maintained a net cash balance of approximately HK$1.62 billion (2000: HK$1.70 billion) and its gearing ratio (total liabilities/total assets) dropped to 24.87% (2000: 28.42%) which decreased by

As APT always treasures and values our customer relations, customer meetings are periodically held for better communication. One of the customer meetings was held in Guilin in November 2001.


APT commissioned APSTAR VB in December 2001, which will be pivotal to the future development of the Group's satellite broadcasting and telecommunications services. APSTAR VB is scheduled for delivery in July 2004 serving as a backup to APSTAR V.

3.55% in comparing with the year 2000. The financial cost dove by 63.20% as compared with 2000. The total liabilities, as at 31 December 2001, was approximately HK$816.06 million, among which about HK$379.67 million of which bears interest at fixed rate and secured by a time deposit of an equivalent amount. As at 31 December 2001, the Group has not used any instruments for hedging purposes as most of its transactions are being settled in United States dollars.

Over 80% of the transponders lease in 2001 will continue in 2002 with the rest subject to renewal of the contract. The Company has leased 15 out 38 C-band transponders of APSTAR V to Singapore Telecommunications Limited. The rest of the C-band capacities will be substantially taken up by the existing substantial customers of APSTAR I who will be migrating to APSTAR V upon its commercial operation commencement.

In 2001, the Company had set up a wholly-owned subsidiary "亞訊通信技術開發(深圳)有限公司" (APT Communication Technology Development (Shenzhen) Co., Ltd.) in Shenzhen, at a total investment cost of HK$7.10 million, for market development in China in particular the engagement in the technological development of telecommunication facilities, telecommunication network systems and computer software.

HUMAN RESOURCES

The Group remunerates its employees in accordance with their respective responsibilities and the current market trends. On 19 June 2001, the Company has first granted the share options under the share option scheme adopted at the Annual General Meeting on 22 May 2001 (the "Scheme 2001") to its employees including executive directors. In compliance with the new requirements in respect of the share option schemes of the Rules Governing the Listing of Securities on the Stock Exchange Hong Kong Limited (the "Listing Rules"), which took effect on 1 September 2001, the Company proposes to adopt a new share option scheme (the "Scheme 2002"), which is subject to the shareholders' approval at the

In line with the development of the Group's new satellite projects, APT has completed the construction of Satellite Control Centre Phase II (with floor area approximately 58,000 sq.ft.) in Tai Po, Hong Kong in early 2002.

forthcoming annual general meeting. Although the share options granted on 19 June 2001 under the Scheme 2001 are still valid whilst no new option will be granted under the Scheme 2001 until its expiry. A circular containing the details and conditions of the adoption of the Scheme 2002 and a summary of the principal terms of the rules of the new share option scheme will be despatched to shareholders of the Company upon confirmation from The Stock Exchange of Hong Kong Limited.

CONCLUSION

The coming year will be a year of great challenge. The Group will try its best in keeping its existing business, while at the same time searching for development opportunities. Under the new corporate strategy, the Group will consolidate and develop its transponder business, and on the other hand expand new satellite broadcasting and telecommunication businesses, so as to maintain business growth and raise corporate value. Meanwhile, the Group will continue to adhere to prudent financial policies and keep a close watch on the external economic situation to enable it to timely re-align its business strategies correspondingly.

NOTE OF APPRECIATION

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

Liu Ji Yuan
Chairman

Thailand, 8 April 2002

EXECUTIVE DIRECTORS

Mr. CHEN Zhaobin, aged 46, 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. CUI Xinzheng, aged 48, 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 68, was appointed as the Chairman of the Company in June 1998. Mr. Liu graduated from Bowman Polytechnic University, Moscow, USSR (presently known as Russia) majoring in automatic and remote control, and obtained a Master's degree in 1960. After graduation, he was appointed consecutively as a Deputy Director and Director of the Twelfth Research Institute of the Seventh Ministry of Machinery Industry, Vice President of the China Academy of Launch Vehicle Technology under the Ministry of Astronautics and accredited as a Senior Engineer from May 1983 to March 1984, the Vice Minister of the Ministry of Astronautics and accredited as a Research Fellow from April 1984 to March 1988, and the Vice Minister of the PRC Ministry of Aerospace Industry (later known as China Aerospace Corporation) from April 1988 to April 1993. In April 1993, Mr. Liu was appointed as the Administrator (Ministerial) of China National Space Administration (CNSA), as well as the President of China Aerospace Corporation. In 1988, Mr. Liu was granted the award of National Outstanding Young and Middle-aged Expert in the PRC. In the same year, he was appointed as a visiting professor of Harbin Institute of Technology, Beijing University of Aeronautics and Astronautics, and Beijing Information Control Institute. After 1993, Mr. Liu was also appointed as the President of the Chinese Society of Astronautics. Member of International Academy of Astronautics, President (third-term) of China Automatic Measurement and Control Association, Honorary Chairman of China Aerospace Industrial and Entrepreneurial Management Association, and Honorary Chairman of China Aerospace International Holdings Limited.

Mr. HE Ke Rang, aged 66, 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.

Mr. ZHOU Ze He, aged 60, 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 63, 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 59, 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 43, 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 56, was appointed as a director of the Company in June 1998. Mr. Wu graduated in Manufacturing Engineering of the Beijing Institute of Aeronautics in 1969 and obtained a Master's degree in Electro-Mechanical Automation in the same institute in 1981. He was a lecturer in Zhengzhou Institute of Aeronautics from 1970 and 1979 and had been a lecturer, associate Professor and Professor in Beijing University of Aeronautics and Aerospace from 1982 to 1993. Since then, he has been appointed as a Professor of the Commission of Science and Technology of China Aerospace Corporation.

Mr. LU Xiaochun, aged 41, 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 Unviersity of Aeronautics and Astronautics and a Standing Committee Member of the Shanghai Aeronautics Society and a Director of The Hong Kong Chinese Enterprises Association.

Mr. WU Jinfeng, aged 41, 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 51, 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 51, was appointed as Director of the Company on 21 March 2001. Mr. Tay joined SingTel in 1975, after graduating from the University of Liverpool, United Kingdom with an Engineering Degree. After an extensive training program in Pulse Code Modulation projects and satellite communication work, he was posted to Washington DC USA in 1982 to represent the Intelsat ASEAN Group as the Resident Alternate Governor. Mr. Tay's extensive telecommunication experience in SingTel ranged from media planning for both international submarine cable and satellite network systems to international carrier business. He was Director of International Carrier Business from 1995 where he also obtained the Certificate of International Management from INSEAD. In 1997, he was the Managing Director of International Operations responsible for set-up and management of SingTel's 18 overseas offices to provide regional support for SingTel's corporate clients. In 2000, he was the Vice President of Wholesale Account Management, responsible for managing SingTel's relations with other telecommunication carriers and also managing international and domestic wholesale business. He is now the Vice President of Satellite Business and Global Management responsible for all the satellite business and infrastructure in SingTel including the international gateways and global voice network.

Mr. YANG Tze-kaing, aged 48, 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.

Ms. LOH Yim Kew, aged 49, was appointed as an Alternate Director of the Company to Mr. Lim Shyong in March 2001. She was a Director of the Company from November 2000 to March 2001 and was an Alternate Director of the Company to Mr. Lim Toon and Mr. Wong Hung Khim from July 1999 to November 2000. Ms. Loh graduated from the University of Singapore with a First Class Honours Degree in Bachelor of Engineering (Electrical and Electronics) in 1975 and subsequently obtained Master of Science (Industrial Engineering) Degree in 1979. She has been employed by Singapore Telecom since 1975. During these years, she has been assigned to duties and responsibilities ranging from engineering to commercial and business development in the different telecommunication areas. She has been in charge of the planning and operation of packet switched network, frame relay network, messaging systems, value added networks and IP network as well as the launching of Singtel's first satellite, ST-1.Under her charge, many new services were launched and introduced to the sophisticated business customers, ranging from 1800 toll free, 1900 audio information, VPN (Virtual Private Network), messaging, Internet access (ISP), electronic commerce services to Inmarsat value added services, video broadcast via satellite, GMPCS and satellite capacity. She was also responsible for the formation and management of the various alliances and Joint Ventures which Singtel participated in, such as WorldPartner and ACASIA. At present, she is the Senior Director of Satellite Development, responsible for the strategic investment and business development in fixed and mobile satellite systems.

Ms. LIM Bee Ling, aged 37, 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 Ji Bin, aged 67, appointed as a Director and Vice President (until January 1999) of the Company in October 1996 and has been a Director and Vice President of APT since June 1992. Mr. Chen is responsible for the management of the APSTAR System. He graduated from the Radar Department of the PRC Institute of Military Telecommunication Engineering. From 1953 to 1970, he conducted radar research as the Deputy Chief Designer and Chief Designer in the Ministry of Communications and Ministry of Weapons. From 1970 to 1985, he was the Head of Design and Director of the Office of Satellite Communication System Engineering in the PRC Ministry of Electronics Industry. From 1985 to 1992, he was the Chief Engineer and Vice President of China Telecommunications Broadcast Satellite Corporation ("ChinaSat"). Mr. Chen has over 30 years' experience in telecommunications and satellite applications and control. He was accredited as a Senior Engineer and Research Fellow in 1980 and 1986 respectively, and was awarded the National Science and Technology Advancement Award (First Grade) in 1985. Mr. Chen has co-edited several technological publications on topics such as radar, microwave, satellite television receiving systems and satellite telecommunications. He resigned as a Director of the Company with effect from 10 February 2001.

Mr. LEE Hsiang Wei, aged 42, was appointed as a Director of the Company in October 1996 and has been a Director of APT since June 1993. He is presently the Chairman of Kwang Hua Securities investment and Trust Co., Ltd. Mr. Lee graduated in 1982 with a Bachelor of Science Degree from the National Taiwan University. He later attained his Master's Degree in Business Administration from Duke University. He joined Ruentex Industries Ltd. as a marketing manager in 1987 and was promoted to Vice-President in 1989. Since 1991, Mr. Lee has been a Director of Kwang Hua Securities Investment & Trust Co., Ltd. and is an executive committee member of that company. Mr. Lee is also a President in Ruentex International Holdings Ltd. which sponsors the Ruentex Group's offshore investment activities. He also holds directorships of AETNA Life Insurance Corporation of America and Shanghai International Asset Management (H.K.) Co. Ltd. He resigned as a Director of the Company with effect from 21 March 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Wing, Meocre, aged 47, 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.

Mr. YUEN Pak Yiu, Philip, aged 66, was appointed as an Independent Non-executive Director of the Company in October 1996. He graduated from Law School in England in 1961 and commenced the practice of law in Hong Kong in 1962. In 1965, he established his solicitors' firm, Yung, Yu, Yuen & Co., and now is the principal partner in the firm. Mr. Yuen has over 30 years' experience in the legal field and has been a Director of a number of listed companies including Henderson Investment Limited, Henderson China Holdings Limited, Melbourne Enterprises Limited, Cheerful Holdings Limited, Tsingtao Brewery Company Limited, Guangzhou Shipyard International Company Limited and Oriental Metals (Holdings) Company Limited. He is a Director of the China Appointed Attesting Officers Association in Hong Kong, a Standing Committee Member of the China Chamber of Commerce of Hong Kong, a Member of the National Committee of Chinese Peoples' Political Consultative Conference, an Arbitrator at the China International Economic & Trade Arbitration Commission and an Adviser of Hong Kong Affairs to the PRC government.

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

SENIOR MANAGEMENT

Mr. LENG Yi Shun, aged 64, 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.

Mr. KWOK Kah Wai, Victor, aged 46, joined the Company on March 17th, 2001. Mr. Kwok is responsible for Marketing and Sales division of the Group. Prior to joining APT, Mr. Kwok was the Managing Director of Global Services Development in SingTel, Mr. Kwok established the SingTel's global communication network and services, ConnectPlus, as well as SingTel's global internet backbone to US and the Asian region, SingTel IX. Mr. Kwok has also been active in the alliance development works during this period. Mr. Kwok has been with SingTel for the last twenty years and has held management positions in Corporate Product Marketing and Corporate Account Management. Mr. Kwok has been seconded to be the Managing Director of STI Svenska in 1995 and Acting CEO of SingCom, Australia in 1994. Mr. Kwok graduated from National University of Singapore with an Honors Degree in Electrical Engineering and an MBA degree in 1981 and 1987 respectively. Mr. Kwok also attended the Harvard Business School's International Senior Management Program in May, 1993.

Mr. LO Kin Hang, Brian, aged 45, 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 62, 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.

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 2001.

PRINCIPAL ACTIVITIES

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

SEGMENTAL INFORMATION

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

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year ended 31 December 2001 are set out in the consolidated income statement on page 36 and the accompanying notes to the financial statements.

The directors recommend the payment of a final dividend of HK5 cents per share.

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 72.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended 31 December 2001 are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2001 are set out in note 32 to the financial statements.

JOINTLY CONTROLLED ENTITY

Details of the Company's interest in jointly controlled entities are set out in note 16 to the financial statements.

SHARE CAPITAL

During the year, the Company repurchased a total of 80,000 of its own shares on The Stock Exchange of Hong Kong Limited. Details of the repurchases are set out in note 21 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 statements of changes in equity on page 40.

BORROWINGS

Details of the Group's bank borrowings are set out in note 19 to the financial statements. No interest 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)*	*(appointed on 10 February 2001)*
Cui Xinzheng *(Vice President)*	*(appointed on 10 February 2001)*

Non-executive directors

Liu Ji Yuan *(Chairman)*	
He Ke Rang *(Vice Chairman)*	*(resigned as President and re-designated as non-executive director on 10 February 2001)*
Zhou Ze He *(Vice Chairman)*	
Wong Hung Khim	
Lim Toon	
Hsu Chih Chang	
Wu Zhen Mu	
Lu Xiaochun	
Wu Jinfeng	*(appointed on 10 February 2001)*
Lim Shyong	*(appointed on 21 March 2001)*
Tay Chek Khoon	*(appointed on 21 March 2001)*
Yang Tze-kaing	*(appointed on 21 March 2001)*
Loh Yim Kew	*(resigned as a director and appointed as alternate director to Lim Shyong on 21 March 2001)*
Lim Bee Ling	*(resigned as a director and appointed as alternate director to Tay Chek Khoon on 21 March 2001)*
Chen Ji Bin	*(resigned on 10 February 2001)*
Lee Hsiang Wei	*(resigned on 21 March 2001)*

Independent non-executive directors

Li Kwok Wing, Meocre
Yuen Pak Yiu, Philip

In accordance with Article 86(2) and Article 87 of the Company's bye-laws, Messrs. Zhou Ze He, Wong Hung Khim, Hsu Chih Chang, Wu Zhen Mu and Yuen Pak Yiu Philip 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.

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 2001, Mr. Leng Yi Shun, Vice President of the Group, had personal interests in 500 shares of the Company.

Owing to the change of office on 8 April 2002, Mr. Lo Kin Hang, Brian, Vice President and Company Secretary of the Group, had declared his personal interests in 27,000 shares of the Company.

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

SHARE OPTION SCHEMES

No options had been granted pursuant to the former share option scheme adopted on 3 December 1996 and which was later terminated at the annual general meeting of the Company on 22 May 2001. At the same annual general meeting a new share option scheme (the "Scheme 2001") was adopted.

At present, under the Scheme 2001 the Company could grant options for providing incentives to its full-time employees and executive directors of the Company for their contribution to the Group within the remaining life of the scheme for ten years until 21 May 2011.

On 19 June 2001, the Company granted a total of 14,650,000 share options for a nominal consideration of HK$1 per grantee, details of which are set out below.

As at 31 December 2001, the total number of securities available for issue under the Scheme 2001 is, upon their exercise, not exceeding 10% of the shares of the Company in issue at any time (as at 31 December 2001, the shares of the Company in issue was 412,720,000 shares). The total number of outstanding options under the Scheme 2001 was 13,450,000 and together with the cancelled options 1,200,000 which approximately represents 3.55% of the issued share capital of the Company as at 31 December 2001.

In compliance with the new requirements in respect of the share option scheme of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which took effect on 1 September 2001, the Company has made a new proposal in relation to the adoption of a new share option scheme (the "Scheme 2002") to the shareholders and subject to their approval at the forthcoming annual general meeting, the Board of Directors will in future grant options under the Scheme 2002 instead of the Scheme 2001. Although the Scheme 2001 will remain effective and the options granted on 19 June 2001 are still valid whilst no new option will be granted under the Scheme 2001 until its expiry.

Under the Scheme 2001, the maximum entitlement of each eligible person shall be 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 of the Company (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 will 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 on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the five dealing days immediately preceding the date on which the invitation to apply for an option under the Scheme 2001 is resolved by the Board of Directors to be given.

The Scheme 2002, the details of which are contained in the circular to be dispatched to the shareholders of the Company, will be adopted in the forthcoming annual general meeting on 22 May 2002. Upon its approval, the Company, subject to the Board of Directors' discretion from time to time, grant share options to the eligible person in accordance with the Scheme 2002. The terms of the Scheme 2002, among the others, state that the maximum entitlement of each eligible person shall be that the total number of securities issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the Shares in issue as well as the determination of the exercise price that the exercise price must be at least the higher of the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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

	Options granted on 19 June 2001	Options cancelled subsequent to the grant	Options outstanding as at 31 December 2001
DIRECTORS AND CHIEF EXECUTIVES:			
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
Kwok Kah Wai, Victor *(Vice President)*	1,200,000	(1,200,000)	–
Lo Kin Hang, Brian *(Vice President and Company Secretary)*	800,000	–	800,000
	6,900,000	(1,200,000)	5,700,000
EMPLOYEES IN AGGREGATE:			
Employees under employment contracts	13,450,000	–	13,450,000

All the above 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.

The fair value of the options granted in the current year totalled approximately HK$41.3 million. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(1) an expected volatility of 47%;

(2) no expected annual dividend;

(3) an expected life of the options of 119 months; and

(4) a risk-free interest rate of 6% based on the quoted interest rate of Hong Kong Exchange Fund Notes.

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

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 2001, 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 companies	Principal activities
Lim Toon	– SingTelSat Pte Ltd	Provision of satellite capacity for telecommunications & video broadcasting services
	– C2C Pte Ltd.	Operation & provision of telecommunications facilities & services utilizing a network of submarine cable systems & associated terrestrial capacity
	– Bharti Tele-Ventures Limited	Provision of cellular & fixed line communications
	– C2C Infocom Cable (Taiwan) Ltd – C2C Cable Korea Ltd	To own telecommunication cables and to sell interests in those cables to other parties

Name of director	Name of the companies	Principal activities
Lim Shyong	– GB21 (Hong Kong) Limited	Provision of telecommunications services & products
	– C2C Pte Ltd. – C2C Singapore Pte Ltd	Operation & provision of telecommunications facilities & services utilizing a network of submarine cable systems & associated terrestrial capacity
	– C2C (Hong Kong) Limited – C2C Infocom Cable (Taiwan) Ltd – C2C Cable Korea Ltd – C2C Japan KK	To own telecommunication cables and to sell interests in those cables to other parties

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, 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	51.90

Messrs. Chen Zhaobin, Cui Xinzheng, He Ke Rang, Wong Hung Khim, Hsu Chih Chang, Wu Jinfeng, Lim Shyong, Tay Chek Khoon, Yang Tze-kaing, Lim Toon, Liu Ji Yuan, Zhou Ze He, Lu Xiaochun, Wu Zhen Mu, 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 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in note 21 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 2001, the largest customer accounted for 29% (2000: 36%) of the Group's turnover. Turnover attributable to the Group's five largest customers accounted for 55% (2000: 75%) 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 executive directors and employees.

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 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

Except for the year ended 31 December 1999, in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

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	**Cui Xinzheng**
Director	*Director*

Thailand
8 April 2002

德勤‧關黃陳方會計師行

Certified Public Accountants
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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 36 to 71 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 2001 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, 8 April 2002

For the year ended 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000 (Restated)
Turnover	4	374,158	341,496
Cost of services		(266,015)	(261,518)
		108,143	79,978
Other revenue	5	78,491	179,742
Administrative expenses		(71,922)	(65,540)
Deficit arising on revaluation of investment property	14	(45)	–
Profit from operations	6	114,667	194,180
Finance costs	7	(5,644)	(15,338)
Share of results of jointly controlled entities		(5,067)	(1,335)
Profit before tax		103,956	177,507
Taxation	9	(25,947)	(34,511)
Net profit for the year	10	78,009	142,996
Dividends	11	20,636	82,725
Earnings per share – basic	12	HK18.90 cents	HK34.26 cents
– diluted	12	HK18.85 cents	N/A

At 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	1,150,027	1,101,868
Investment property	14	2,402	–
Interest in jointly controlled entities	16	80,408	22,428
Pledged bank deposits	27	317,682	379,668
Club memberships		5,537	5,537
Transponder lease deposit		101	–
		1,556,157	1,509,501
Current assets			
Trade receivables	17	25,506	59,928
Deposits, prepayments and other receivables		17,343	33,551
Loan to a jointly controlled entity	16	–	46,500
Amount due from immediate holding company		20	–
Tax recoverable		–	1,424
Pledged bank deposits	27	61,986	65,641
Bank balances and cash		1,619,686	1,704,606
		1,724,541	1,911,650
Current liabilities			
Other payables and accrued charges	18	90,517	73,288
Rentals received in advance		57,679	20,111
Dividend payable		–	2,400
Tax payable		62,967	56,425
Secured bank borrowings due within one year	19	61,986	175,320
Amount due to a related company	20	–	1,709
		273,149	329,253
Net current assets		1,451,392	1,582,397
		3,007,549	3,091,898

At 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000 (Restated)
Capital and reserves			
Share capital	21	41,272	41,280
Share premium		1,283,809	1,283,993
Contributed surplus	23	511,000	511,000
Other reserve	23	64	–
Accumulated profits		628,492	612,467
		2,464,637	2,448,740
Non-current liabilities			
Secured bank borrowings due after one year	19	317,682	379,668
Deposits received	24	43,651	25,852
Deferred income	25	57,904	114,112
Deferred taxation	26	123,675	123,526
		542,912	643,158
		3,007,549	3,091,898

The financial statements on pages 36 to 71 were approved and authorised for issue by the Board of Directors on 8 April 2002 and are signed on its behalf by:

Chen Zhaobin
DIRECTOR

Cui Xinzheng
DIRECTOR

At 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	110	192
Interest in subsidiaries	15	1,887,004	1,992,328
		1,887,114	1,992,520
Current assets			
Other receivables and prepayments		434	539
Bank balances and cash		85,041	42,571
		85,475	43,110
Current liabilities			
Other payables and accrued charges		1,244	1,013
Dividend payable		–	2,400
		1,244	3,413
Net current assets		84,231	39,697
		1,971,345	2,032,217
Capital and reserves			
Share capital	21	41,272	41,280
Share premium		1,283,809	1,283,993
Contributed surplus	23	584,358	584,358
Accumulated profits (losses)		61,906	(6)
		1,971,345	1,909,625
Non-current liability			
Amount due to a subsidiary		–	122,592
		1,971,345	2,032,217

Chen Zhaobin
DIRECTOR

Cui Xinzheng
DIRECTOR

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2001

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE GROUP						
Balance at 1 January 2000	42,000	1,315,522	511,000	–	490,276	2,358,798
Derecognition of liability of proposed final dividend for 1999 (note 2)	–	–	–	–	147,000	147,000
Restated balance	42,000	1,315,522	511,000	–	637,276	2,505,798
Repurchase of shares	(720)	(31,529)	–	–	–	(32,249)
Dividends paid	–	–	–	–	(167,805)	(167,805)
Net profit for the year	–	–	–	–	142,996	142,996
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 reserve	–	–	–	64	(64)	–
Dividends paid	–	–	–	–	(61,920)	(61,920)
Net profit for the year	–	–	–	–	78,009	78,009
Balance at 31 December 2001	41,272	1,283,809	511,000	64	628,492	2,464,637
Attributable to jointly controlled entities At 31 December 2001	–	–	–	–	(6,402)	(6,402)
At 31 December 2000	–	–	–	–	(1,335)	(1,335)
THE COMPANY						
Balance at 1 January 2000	42,000	1,315,522	584,358	–	273	1,942,153
Derecognition of liability of proposed final dividend for 1999 (note 2)	–	–	–	–	147,000	147,000
Derecognition of dividend income in respect of final dividend from a subsidiary (note 2)	–	–	–	–	(147,000)	(147,000)
Restated balance	42,000	1,315,522	584,358	–	273	1,942,153
Repurchase of shares	(720)	(31,529)	–	–	–	(32,249)
Dividends paid	–	–	–	–	(167,805)	(167,805)
Net profit for the year	–	–	–	–	167,526	167,526
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 31 December 2001	41,272	1,283,809	584,358	–	61,906	1,971,345

For the year ended 31 December 2001

	2001 HK$'000	2000 HK$'000 (Restated)
Cash flow from operating activities		
Profit before tax	103,956	177,507
Adjustment for:		
Depreciation	217,021	216,808
Interest income	(70,221)	(106,502)
Loss (gain) on disposal of property, plant and equipment	37	(498)
Interest expense	5,644	15,338
Deficit arising on the revaluation of investment property	45	–
Share of results of jointly controlled entities	5,067	1,335
Write-back of provision on regulatory matters previously recognised in the life lease of transponders of APSTAR IIR	–	(45,788)
Gain on disposal of partial interest in a jointly controlled entity	–	(2,500)
Operating profit before working capital changes	261,549	255,700
Decrease in trade receivables	34,422	2,378
Increase in transponder lease deposit	(101)	–
Increase in amount due from an immediate holding company	(20)	–
(Increase) decrease in deposit, prepayments and other receivables	(833)	1,407,904
Increase (decrease) in other payables and accrued charges	13,450	(3,051)
Increase (decrease) in rentals received in advance	9,464	(1,159)
Decrease in amount due to a related company	(1,709)	(140)
Increase in amounts due from jointly controlled entities	(218)	–
Increase in deposits received	17,799	779
Decrease in deferred income	(28,104)	(20,682)
Cash generated from operations	305,699	1,641,729
Interest paid	(6,461)	(24,768)
Hong Kong profits tax paid	(5,704)	(26,292)
Overseas tax paid	(12,128)	(13,299)
Net cash flow from operating activities	281,406	1,577,370

For the year ended 31 December 2001

	2001 HK$'000	2000 HK$'000 (Restated)
Investing activities		
Additions to property, plant and equipment	(230,227)	(35,228)
Capital contribution to a jointly controlled entity	(48,565)	–
Proceeds on disposal of partial interest in a jointly controlled entity	–	3,000
Proceeds on disposal of property, plant and equipment	13,659	2,126
Increase in advances/loans to jointly controlled entities	(14,264)	(65,141)
Interest received	87,262	90,051
Decrease in pledged bank deposits	65,641	50,053
Net cash (outflow) inflow from investing activities	(126,494)	44,861
Financing activities		
Repayment of bank borrowings	(175,320)	(229,940)
Repayment of loans from shareholders	–	(3,875)
Dividends paid	(64,320)	(165,405)
Repurchase of shares	(192)	(32,249)
Cash outflow from financing activities	(239,832)	(431,469)
Net (decrease) increase in cash and cash equivalents	(84,920)	1,190,762
Cash and cash equivalents at beginning of the year	1,704,606	513,844
Cash and cash equivalents at the end of the year, represented by bank balances and cash	1,619,686	1,704,606

For the year ended 31 December 2001

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 and operation of satellite telecommunication systems.

2. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA") which has led to the following changes in the Group's accounting policies:

- The Group has chosen to adopt SSAP 1 (Revised) "Presentation of Financial Statements" and SSAP 15 (Revised) "Cash Flow Statements" as regards reporting changes in equity and cash flow information in advance of the effective dates of these Standards. The presentation in the current year's financial statements has been modified in order to conform with the requirement of the revised standards. Comparative amounts have been restated in order to achieve a consistent presentation.

- In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The proposed final dividend of HK$147,000,000 for 1999 has been reversed and recognised in the year ended 31 December 2000. The proposed final dividend of HK$61,920,000 included in the dividend payable in the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2000 have been reversed and the restated accumulated profits brought forward from 31 December 2000 of the Group is HK$612,467,000.

  As a result of the adoption of SSAP 9 (Revised), SSAP 18 "Revenue" has also been revised. Accordingly, the dividends proposed or declared after balance sheet date by the subsidiaries are not recognised by the Company at the balance sheet date. This change in accounting policy has also been applied retrospectively, resulting a prior period adjustment which has decreased the accumulated profits of the Company brought forward from 31 December 1999 and 31 December 2000 by HK$147,000,000 and HK$63,000,000 respectively. The restated accumulated losses brought forward from 31 December 2000 of the Company is HK$6,000.

2. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

- The adoption of SSAP 14 (Revised) "Leases" has not resulted in any significant changes to the accounting treatment adopted for leases and accordingly, no prior period adjustment has been required. Disclosures relating to the Group's leasing arrangements have been modified so as to comply with the new requirements of SSAP 14 (Revised). Comparative amounts have been restated to achieve a consistent presentation.

- SSAP 26 "Segment Reporting" has introduced new principles for reporting financial information by segment. Segment disclosures for the year ended 31 December 2001 have been presented to conform with the requirements of the standard.

- SSAP 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" has introduced a new definition of subsidiary, which is an enterprise that is controlled by the Company. In prior year, an investment in an enterprise was classified as a subsidiary because the Company indirectly held more than half of the issued share capital but was not consolidated because the Company did not control the composition of the board of the directors. As this enterprise is jointly controlled by the Company and the other shareholder, it is no longer classified as a subsidiary under SSAP 32. This has resulted in a reclassification of the investment from a subsidiary to a jointly controlled entity. Comparative amounts have been adjusted retrospectively. The reclassification has not had any impact on amounts reported because the investment has always been accounted for using equity accounting.

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.

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments 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.

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

Investments 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.

Club memberships

Club memberships are stated at cost less impairment in value.

Revenue recognition

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

Service income is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and accumulated 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.

Depreciation of communication satellites is provided on a straight line basis to write off the cost of the satellite over its estimated useful life or the warranty period provided to customers, where applicable. Depreciation of other property, plant and equipment is provided to write off the cost of the assets, over their estimated useful lives, 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	20%
Motor vehicles	20%
Computer equipment	20%
Communication satellite equipment	$6^{2}/_{3}\%$ – 20%
Communication satellites	$6^{1}/_{4}\%$ – 20%

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

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.

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 the more than 20 years.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the leases. 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 the service income received and receivable in respect of satellite control and leasing of satellite transponders.

	2001 HK$'000	2000 HK$'000
Transponder lease income	359,482	329,976
Service income	14,676	11,520
	374,158	341,496

For the year ended 31 December 2001

5. OTHER REVENUE

	2001 HK$'000	2000 HK$'000
Other revenue includes the following:		
Exchange gain	–	10,407
Gain on disposal of property, plant and equipment	–	498
Gain on disposal of partial interest in a jointly controlled entity	–	2,500
Interest income	70,221	106,502
Rental income in respect of land and buildings	349	298
Write-back of provision on regulatory matters previously recognised in the life lease of transponders of APSTAR IIR	–	45,788

6. PROFIT FROM OPERATIONS

	2001 HK$'000	2000 HK$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	400	330
Underprovision in prior year	120	–
Depreciation	217,021	216,808
Exchange loss	312	–
Loss on disposal of property, plant and equipment	37	–
Minimum lease payments of operating lease rentals in respect of land and buildings	3,259	3,108
Minimum lease payments of operating lease rentals in respect of satellite transponder	33	–
Reversal of provision for doubtful receivables	(5,182)	–
Staff costs (including directors' emoluments)		
Pension contributions	1,219	980
Less: Forfeited contributions	(252)	(267)
Net pension contributions	967	713
Wages, salaries and bonuses	38,444	32,101
	39,411	32,814

For the year ended 31 December 2001

7. FINANCE COSTS

	2001 HK$'000	2000 HK$'000
Interest on bank and other borrowings wholly repayable within five years	5,644	15,338

8. DIRECTORS' AND EMPLOYEES' REMUNERATION

	2001 HK$'000	2000 HK$'000
Directors' remuneration		
Fees to independent non-executive directors	200	200
Fees to non-executive directors	550	510
Remuneration to executive directors:		
Fees	139	55
Salaries and other benefits	5,505	2,987
Retirement benefits contributions	153	78
Compensation paid for the loss of office	2,729	–
	8,526	3,120
	9,276	3,830

Emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK$1,000,000	17	18
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	1

For the year ended 31 December 2001

8. DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

Employees' remuneration

The five highest paid individuals of the Group included three directors (2000: one), details of whose remuneration are set out above. The emoluments of the remaining two (2000: four) highest paid employees are as follows:

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Salaries and other benefits	6,919	7,405
Performance related incentive payments	203	1,860
Retirement benefits contributions	172	225
	7,294	9,490

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2001	2000
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	–	1
HK$4,000,001 to HK$4,500,000	–	1
HK$5,500,001 to HK$6,000,000	1	–
	2	4

9. TAXATION

	2001 HK$'000	2000 HK$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
Current year period	6,283	4,495
Underprovision in prior years	1,388	–
Overseas tax calculated at rates prevailing in respective jurisdictions	18,127	24,349
	25,798	28,844
Deferred taxation (note 26)	149	5,667
	25,947	34,511

9. TAXATION (Continued)

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

	2001 HK$'000	2000 HK$'000
Tax effect of timing differences attributable to:		
Difference between depreciation allowances for tax purposes and depreciation charged in the financial statements	12,231	(3,300)
Tax loss utilized – net	(11,627)	–
Other timing differences	(162)	–
Certain leasing arrangements	(591)	(2,367)
	(149)	(5,667)

10. NET PROFIT FOR THE YEAR

Of the net profit for the year of HK$78,009,000 (2000: HK$142,996,000), a profit of HK$123,832,000 (2000: HK$167,526,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2001 HK$'000	2000 HK$'000
Interim dividend paid of HK Nil cents (2000: HK5 cents) per share	–	20,805
Proposed final dividend of HK5 cents (2000: HK15 cents) per share	20,636	61,920
	20,636	82,725

The proposed final dividend of HK5 cents (2000: HK15 cents) per share has been proposed by the Board and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

For the year ended 31 December 2001

12. EARNINGS PER SHARE

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

	2001 HK$'000	2000 HK$'000
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (net profit for the year)	78,009	142,996
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	412,773	417,433
Effect of dilutive share options	1,117	N/A
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	413,890	N/A

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Commun-ication satellite equipment HK$'000	Commun-ication satellites HK$'000	Con-struction in progress HK$'000	Total HK$'000
THE GROUP									
COST									
At 1 January 2001	65,492	5,523	18,400	4,649	1,528	71,118	2,100,129	10,935	2,277,774
Additions	141	–	137	318	450	2,698	–	277,579	281,323
Disposals	–	–	(17)	(259)	(38)	–	–	–	(314)
Transfer to a jointly controlled entity	(13,657)	–	–	–	–	–	–	–	(13,657)
Transfer to investment property	(2,557)	–	–	–	–	–	–	–	(2,557)
At 31 December 2001	49,419	5,523	18,520	4,708	1,940	73,816	2,100,129	288,514	2,542,569
DEPRECIATION									
At 1 January 2001	4,611	3,242	17,434	4,038	850	38,138	1,107,593	–	1,175,906
Provided for the year	911	740	424	230	257	6,001	208,458	–	217,021
Disposals	–	–	(14)	(259)	(2)	–	–	–	(275)
Transfer to investment property	(110)	–	–	–	–	–	–	–	(110)
At 31 December 2001	5,412	3,982	17,844	4,009	1,105	44,139	1,316,051	–	1,392,542
NET BOOK VALUE									
At 31 December 2001	44,007	1,541	676	699	835	29,677	784,078	288,514	1,150,027
At 31 December 2000	60,881	2,281	966	611	678	32,980	992,536	10,935	1,101,868

For the year ended 31 December 2001

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicle HK$'000
THE COMPANY	
COST	
At 1 January 2001 and 31 December 2001	411
DEPRECIATION	
At 1 January 2001	219
Provided for the year	82
At 31 December 2001	301
NET BOOK VALUE	
At 31 December 2001	110
At 31 December 2000	192

An analysis of the locations of land and buildings of the Group held as at 31 December 2001 is as follows:

	Land and buildings	
	2001 HK$'000	2000 HK$'000
Medium-term leases outside Hong Kong	4,277	6,834
Medium-term leases in Hong Kong	45,142	58,658
	49,419	65,492

14. INVESTMENT PROPERTY

The investment property was reclassified from land and buildings during the year at a carrying value of HK$2,447,000 and was valued at its open market value at 31 December 2001 of approximately 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$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$129,000.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	615,862	615,862
Amounts due from subsidiaries	1,271,142	1,376,466
	1,887,004	1,992,328

Details of the subsidiaries of the Company as at 31 December 2001 are set out in note 32.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Share of net assets	44,163	665
Amounts due from jointly controlled entities	28,805	12,823
Loans to a jointly controlled entity	7,440	55,440
	80,408	68,928
Less: Amount of loan due within one year included under current asset	–	(46,500)
	80,408	22,428

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

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

For the year ended 31 December 2001

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The loans granted to a jointly controlled entity are unsecured. An outstanding loan balance of HK$1,240,000 is interest-free for the first six months from the date of the advance and thereafter bears interest at 6% per annum and is repayable in 2005. Another loan amounting to HK$6,200,000 is interest-free and is also repayable in 2005. Other loans at 31 December 2000 amounting to HK$1,500,000 and HK$46,500,000 bore interest at 6% and 8.25% per annum respectively and were fully repaid during the year.

The amounts due from jointly controlled entities are unsecured and interest-free. There are no fixed repayment terms.

17. TRADE RECEIVABLES

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
Due from third parties	14,408	59,928
Due from a shareholder of the company	11,098	–
	25,506	59,928

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	
	2001	2000
	HK$'000	HK$'000
Current	–	1,707
Overdue 0 - 30 days	15,887	37,370
Overdue 31 - 60 days	3,348	6,327
Overdue 61 - 90 days	1,719	747
Overdue 91 - 120 days	147	9,534
Overdue 120 days	4,405	4,243
	25,506	59,928

18. OTHER PAYABLES AND ACCRUED CHARGES

At balance sheet date, the balance includes a provision on regulatory matters in respect of the life lease of transponders of APSTAR IIR amounting to HK$47,212,000 (2000: HK$47,212,000).

Under the terms of a lease agreement made between an independent third party and the Group dated 18 August 1999 in relation to the leasing of substantially all of the transponder capacities of APSTAR IIR, 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 replacement cost of retrofitting the dishes. Up to the balance sheet date, the Group has not received any claims from the customers of APSTAR IIR. The directors of the Group are of the opinion that the payment will be made once claims received.

19. SECURED BANK BORROWINGS

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
Bank loans	379,668	554,988
Less: Amount due within one year included under current liabilities	(61,986)	(175,320)
Amount due after one year	317,682	379,668
Bank borrowings are repayable:		
On demand or within one year	61,986	175,320
In the second year	317,682	61,986
In the third to fifth years inclusive	–	317,682
	379,668	554,988

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 2001, the bank loans borrowed by the Partnership of HK$379,668,000 (2000: HK$434,836,000) which are included above are secured by time deposits of an equivalent amount (see note 27). The amounts of bank loans and time deposits are separately presented in the balance sheet. The corresponding interest income and interest expense for the year amounted to HK$50,511,000 (2000: HK$56,734,000) is set-off in the consolidated income statement.

20. AMOUNT DUE TO A RELATED COMPANY

The amount was unsecured, interest-free and repaid during the year.

21. 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 2000	420,000	42,000
Repurchase of shares	(7,200)	(720)
Balance at 31 December 2000 and at 1 January 2001	412,800	41,280
Repurchase of shares	(80)	(8)
Balance at 31 December 2001	412,720	41,272

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.

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

Month of repurchase	Number of shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid HK$'000
September	80,000	2.425	2.300	192

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.

22. SHARE OPTIONS

On 22 May 2001, the Company adopted a new share option scheme ("Scheme 2001") and terminated the previous share option scheme which was adopted on 3 December 1996.

The movement of the share options granted under the Scheme 2001 during the year is as follows:

	Number of options '000
Granted on 19 June 2001	14,650
Cancelled during the year	(1,200)
Outstanding at 31 December 2001	13,450

All the above 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.

23. CONTRIBUTED SURPLUS/OTHER RESERVE/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 reserve represents 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 2001, the Company's reserves available for distribution amounted to HK$646,264,000 (2000: HK$584,352,000 – as restated) as computed in accordance with the Companies Act 1981 of Bermuda (as amended).

For the year ended 31 December 2001

24. DEPOSITS RECEIVED

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

25. 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.

26. DEFERRED TAXATION

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
Balance at beginning of year	123,526	117,859
Charge for the year (note 9)	149	5,667
Balance at end of the year	123,675	123,526

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

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	77,499	89,730
Tax losses	(64,873)	(76,500)
Other timing differences	162	–
Certain leasing arrangements	110,887	110,296
	123,675	123,526

26. DEFERRED TAXATION (Continued)

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	
	2001	2000
	HK$'000	HK$'000
Tax effect of timing differences attributable to:		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	11	22
Unutilised tax losses carried forward	(1,539)	(1,099)
	(1,528)	(1,077)

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

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

27. 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$8,035,000 (2000: HK$8,214,000).

Furthermore, at 31 December 2001, the Group had outstanding bank loans of approximately HK$379,668,000 (2000: HK$434,836,000) arranged under certain lease arrangements which are secured by time deposits of an equivalent amount. Of this amount HK$61,986,000 (2000: HK$55,168,000) is included as part of current pledged bank deposits.

For the year ended 31 December 2001

27. PLEDGE OF ASSETS (Continued)

The Group had assigned, by way of legal charge in favour of the lenders of the bank loans, certain bank accounts and portion of the transponder receipts. The amount of cash from transponder receipts withheld by the banks as at 31 December 2000 was HK$10,473,000. During the year, these loans were repaid and the assignment was released.

28. CONTINGENT LIABILITIES

In the years before 1999, overseas withholding tax was not charged in respect of the Group's transponder lease income derived from the overseas lessees. From 1999, overseas withholding tax has been charged on certain transponder lease income of the Group and full provision for such withholding tax for the years from 1999 has been made in the financial statements. The Directors of the Company are 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.

29. CAPITAL COMMITMENTS

At 31 December 2001, the Group had authorised but not contracted capital commitments of HK$295,937,000 (2000: HK$1,781,598,000) and contracted but not provided for capital commitments of HK$2,230,257,000 (2000: HK$1,560,000) in respect of the procurement and launch of new satellites, APSTAR V and APSTAR VB.

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

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Authorised but not contracted	138,075	6,274
Contracted but not provided for in the financial statements	40,789	21,157
Total commitments	178,864	27,431

30. 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 in respect of land and buildings which fall due as follows:

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	3,440	3,093
After one but within five year	4,064	7,366
	7,504	10,459

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

The Group as lessor

Property rental income earned during the year was HK$349,000 (2000: HK$298,000). At the balance sheet date, properties with an aggregate carrying value of HK$9,109,000 (2000: HK$10,380,000) were held for rental purpose. Depreciation charged for the year in respect of these properties was HK$149,000 (2000: HK$241,000). 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$404,000 (2000: HK$159,000) and after one but within five years amounting to HK$129,000 (2000: Nil).

30. LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

At the balance sheet date, the Group also contracted with a jointly controlled entity which will be commenced from 2002 for the following future minimum lease payments under non-cancellable operating leases.

	2001 HK$'000	2000 HK$'000
Within one year	8,110	–
After one but within five years	35,275	–
Over five years	44,854	–
	88,239	–

Rental income in respect of leasing of satellite transponders earned during the year was HK$359,482,000 (2000: HK$329,976,000). Depreciation charged for the year in respect of these satellites was HK$208,458,000 (2000: HK$208,457,000). At the balance sheet date, communication satellites with an aggregated net book value of HK$784,078,000 (2000: HK$992,536,000) 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:

	2001 HK$'000	2000 HK$'000
Within one year	268,970	221,716
After one but within five years	277,991	179,740
	546,961	401,456

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

31. 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 law of the PRC 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.

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32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries, which are all wholly-owned, as at 31 December 2001 are as follows:

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

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32. PARTICULARS OF SUBSIDIARIES (Continued)

Name of Company	Place of incorporation/ establishment/ operation*	Nominal value of issued share capital**	Principal activities
The 138 Leasing Partnership	Hong Kong	Partners' capital HK$329,128,857	Satellite leasing
Ying Fai Realty (China) Limited	Hong Kong/ The People's Republic of China	HK$20	Property holding
亞訊通信技術開發(深圳)有限公司 (APT Communication Technology Development (Shenzhen) Co., Ltd.)	The People's Republic of China	Registered capital HK$5,000,000	Satellite transponder leasing

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

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

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

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

33. RELATED PARTY TRANSACTIONS

	2001 HK$'000	2000 HK$'000
Income from leasing of transponders to certain shareholders of the Company (note i)	20,809	6,558
Income from leasing of transponders to a holding company of a shareholder of the Company (note i)	19,500	6,431
Income from leasing of transponders to a jointly controlled entity (note i)	6,282	1,808
Management fee income from a jointly controlled entity (note ii)	1,500	500
Interest income from jointly controlled entities (note iii)	2,820	277
Interest income from certain shareholders of the Company (note iv)	–	6,099
Interest income from a subsidiary of a shareholder (note v)	995	1,790
Rental expenses in connection with the leasing of transponders from a shareholder of the Company (note vi)	3,510	819
Technical support services expenses to a shareholder of the Company (note vii)	4,490	–
Management fee expenses to a holding company of a shareholder (note viii)	1,802	–
Land and buildings transferred to a jointly controlled entity (note ix)	13,657	–
Payments in connection with the APSTAR V project to a shareholder of the Company (note x)		
– service fee	1,560	2,340
– deposit	–	7,800
Payments in connection with the APSTAR V project to a fellow subsidiary of a shareholder of the Company (note x)		
– service fee	140,166	–

In addition, at 31 December 2001, the Group had outstanding commitment to pay an additional service fee to a shareholder of the Company amounting to HK$Nil (2000: HK$1,560,000), and to a fellow subsidiary of a shareholder of the Company amounting to HK$330,174,000 (2000: HK$Nil).

For the year ended 31 December 2001

33. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

(ii) Management fee income arose from a reimbursement of cost of service provided to a jointly controlled entity under the agreement.

(iii) The interest income from jointly controlled entities arose from loans made to the entity, further details of which are disclosed in note 16.

(iv) The interest income arose from interest charged on overdue trade receivable under terms and conditions of transponder lease agreements which are similar to those contracted with other customers of the Group.

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

(vi) The directors consider that the rental expenses in connection with the leasing of transponders is charged according to the terms and conditions similar to those offered to other customers.

(vii) The 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.

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

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

(x) 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.

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34. SEGMENTAL INFORMATION

The Group only has one business segment, namely the maintenance and operation 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:

	2001		2000	
	Turnover HK$'000	Contribution to profit from operations HK$'000	Turnover HK$'000	Contribution to profit from operations HK$'000
Hong Kong	40,459	11,694	20,347	4,765
Other regions in the PRC	270,009	78,041	264,247	61,886
Others	63,690	18,408	56,902	13,327
	374,158	108,143	341,496	79,978
Other revenue		78,491		179,742
Unallocated corporate expenses		(71,967)		(65,540)
Profit from operations		114,667		194,180

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34. 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:

	2001		2000	
	Segment assets HK$'000	Segment liabilities HK$'000	Segment assets HK$'000	Segment liabilities HK$'000
Hong Kong	23	27,028	616	31,482
Other regions in the PRC	23,646	92,543	53,476	114,558
Others	1,837	39,663	5,836	14,035
	25,506	159,234	59,928	160,075
Unallocated corporate assets/ liabilities	3,255,192	656,827	3,361,223	812,336
	3,280,698	816,061	3,421,151	972,411

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 presented.

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RESULTS

	Year ended 31 December				
	1997 HK$'000	1998 HK$'000	1999 HK$'000	2000 HK$'000 (Restated)	2001 HK$'000
Turnover	522,467	587,805	481,958	341,496	374,158
Cost of services	(280,200)	(388,876)	(355,526)	(261,518)	(266,015)
	242,267	198,929	126,432	79,978	108,143
Other revenue	26,021	14,605	436,016	179,742	78,491
Administrative expenses	(75,746)	(84,620)	(84,395)	(65,540)	(71,922)
Other operating expenses	(835)	(388)	–	–	(45)
Profit from operations	191,707	128,526	478,053	194,180	114,667
Finance costs	(40,150)	(57,282)	(31,750)	(15,338)	(5,644)
Share of results of jointly controlled entities	–	–	–	(1,335)	(5,067)
Profit before tax	151,557	71,244	446,303	177,507	103,956
Taxation	(21,976)	(12,027)	(71,764)	(34,511)	(25,947)
Net profit for the year	129,581	59,217	374,539	142,996	78,009

ASSETS AND LIABILITIES

	As at 31 December				
	1997 HK$'000	1998 HK$'000	1999 HK$'000 (Restated)	2000 HK$'000 (Restated)	2001 HK$'000
Total asset	4,141,497	3,923,930	3,792,751	3,421,151	3,280,698
Total liabilities	(2,069,455)	(1,792,671)	(1,286,953)	(972,411)	(816,061)
Net assets	2,072,042	2,131,259	2,505,798	2,448,740	2,464,637

Prior periods have been restated to reflect the change in accounting policies for the adoption of several new and revised accounting standards as described in note 2 to the financial statements.

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

(a) Recognition of revenue

Certain of the Group's transponder lease agreements for transponder capacity contain pre-determined escalations over the terms of the agreements. The Group recognises revenue on an accrual basis under the contract terms. Under US GAAP, revenue under these agreements 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", compensation expense is recognised 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 No. 123 "Accounting for Stock-Based Compensation", an entity may alternatively compute compensation expense based on the fair value of the options granted.

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

	2001 HK$'000	2000 HK$'000
Net income as reported in the consolidated financial statements prepared under HK GAAP	78,009	142,996
Adjustments:		
Recognition of revenue	(1,476)	(3,635)
Investment property	(66)	–
Tax effect of reconciling items	236	582
Compensation expense of share options granted	(4,074)	–
Approximate net income as reported under US GAAP	72,629	139,943
Earnings per share under US GAAP		
– basic	HK17.60 cents	HK33.52 cents
– diluted	HK17.55 cents	N/A

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

	2001 HK$'000	2000 HK$'000 (Restated)
Shareholders' equity as reported under HK GAAP	2,464,637	2,448,740
Adjustments:		
Recognition of revenue	3,697	5,173
Investment property	381	447
Tax effect of reconciling items	(591)	(827)
Shareholders' equity as reported under US GAAP	2,468,124	2,453,533

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 Wednesday, 22 May 2002 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 2001.

2. To declare a final dividend.

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

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

Special Business

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

   "**THAT**

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

   (b) the total nominal amount of the 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."

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

"**THAT**

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

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

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

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

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

"**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to issue, allot and dispose of shares pursuant to Resolution 6 above be and is hereby extended by the addition to the total nominal amount of share capital and any shares which may be issued, allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to Resolution No. 5 above, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue at the date of this Resolution."

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

"THAT

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval of the share option scheme of the Company (the "Scheme 2002"), a copy of which marked "Scheme 2002" is produced to the meeting and for the purposes of identification signed by the Chairman thereof, and the granting of any options thereunder and the listing of and permission to deal in the shares to be issued pursuant to the exercise of any such options, the Scheme 2002 be and is hereby approved and adopted and the Directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme 2002 including but without limitation:

(i) to administer the Scheme 2002 under which options will be granted to participants eligible under the Scheme 2002 to subscribe for shares;

(ii) to modify and/or amend the Scheme 2002 from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme 2002 relating to modification and/or amendment;

(iii) to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme 2002 provided always that the total number of shares subject to the Scheme 2002, when aggregated with any shares subject to any other share option schemes, shall not exceed 10% of the relevant class of the issued share capital of the Company as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the Scheme 2002 and the maximum number of shares which may be issued upon exercise of all outstanding options granted under the Scheme 2002 and any other share option schemes of the Company in issue shall not exceed 30% of the relevant class of the issued share capital of the Company from time to time;

(iv) to make applications at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the Scheme 2002; and

(v) to consent, if they so deem fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Scheme 2002;

(b) the share option scheme adopted on 22 May 2001 ("Scheme 2001") shall remain effective and the options granted on 19 June 2001 under the Scheme 2001 shall remain valid until their expiry whilst no further options may be granted under the Scheme 2001.**"**

9. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

"THAT "亞太衛星控股有限公司" be adopted as the Company's Chinese name for the purpose of registration in Hong Kong.**"**

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

Hong Kong, 12 April 2002

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 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time appointed for the meeting or adjourned meeting (as the case may be).

(c) The Register of Members of the Company will be closed from Thursday, 16 May 2002 to Wednesday, 22 May 2002, both days inclusive, during which period no transfers of shares can be registered.

(d) In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificate must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Wednesday, 15 May 2002.

(e) An explanatory statement containing further details regarding Resolutions no.5 to 8 above will be sent together with the Annual Report to the shareholders.

(f) The above resolution no. 9 relates to the adoption of a Chinese name by the Company. As the Company is a company incorporated in Bermuda, only its English name appears in its Certificate of Incorporation. Accordingly, the Company has been registered as an oversea company in its English name only under Part XI of the Hong Kong Companies Ordinance. The Chinese name now appears in the Company's documents has been used as a Chinese translation of its English name. As an oversea company is now allowed to register a Chinese name in Hong Kong notwithstanding the fact that only the English name of a company appears in the Certificate of Incorporation, the Directors propose the adoption of the Chinese name to formalize its use by the Company in Hong Kong.